Financial Feasibility Analysis
County of San Diego Edgemoor Skilled Nursing Facility
Hospital Site and Building Reuse

Prepared for:

County of San Diego

Prepared by:

Keyser Marston Associates, Inc.

May 16, 2008

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APPENDIX

I. INTRODUCTION

Keyser Marston Associates, Inc. (KMA) has been retained by the County of San Diego (County) to undertake a financial feasibility analysis considering the rehabilitation and adaptive reuse of buildings and land now occupied by the County's Edgemoor Skilled Nursing Facility (Edgemoor Hospital Site). A number of other consultants were retained by the County to analyze the rehabilitation and relocation cost, and the architectural, engineering, and environmental issues affecting site. The other consultant firms that provided critical information for use by the County and KMA are as follows:

- Matalon Architecture & Planning
- Waller Consulting – Cost Estimating
- HDR Environmental Analysis

A. Objective

KMA's objective was to undertake a market analysis of the primary trade area surrounding the Hospital site, prepare a series of development alternatives for the site, and provide an economic valuation and financial feasibility analysis of the development alternatives. KMA's analysis contrasts rehabilitation and adaptive reuse cost of the existing buildings that currently occupy the site against the economic value of these buildings and available land assuming various land uses.

B. Methodology

KMA completed market research using third-party data sources to define comparable lease and sales information to support market lease rates and sales prices of the proposed land uses. Rehabilitation and relocation cost for adaptive reuse of the buildings have been provided by Waller Consulting, the cost estimator retained by the County. Waller Consulting provided rehabilitation cost estimates for Buildings 2, 3, 8, 16, and 19. KMA was instructed to use the rehabilitation cost and apply them to the remaining buildings that are of a comparable building type. Waller Consulting also provided relocation cost estimates for Buildings 2 and 3. KMA was instructed to use the relocation cost and apply them to the remaining buildings that are of a comparable building type.

The following presents a description of each building, its respective square footages, and the comparable rehabilitation cost that KMA has assumed for each comparable building type. Other associated development costs have been estimated based on KMA's experience with comparable projects within San Diego County.

Summary of Buildings and Comparable Rehabilitation Costs			
Bldg. No.	**Building Description**	**Building SF**	**Comparable Rehabilitation Costs** (1)
1	Administrative Building	3,290	-
2	Building A1 - Offices, Pharmacy, Conference Room, and Storage	7,684	Building 2
3	Dining and Recreational Hall	4,635	Building 3
4	Building A39 - Unknown Use	1,296	Building 8
5	Building A2 - Storage	801	-
6	Building A3 - Wheelchair Repair, Patient's Storage, and Thrift Store	4,252	Building 2
7	Auxillary - Dairy Barn/Men's Ambulatory Ward	4,547	Building 8
8	Senior Center - Dairy Barn/Men's Ambulatory Ward	4,165	Building 8
9	Heartland - Dairy Barn/Men's Ambulatory Ward	4,547	Building 8
10	Polo Barn	Not evaluated	
11	Storage	846	-
12	Vehicle Garage, Gardener's Office, and Garden Shop	2,550	Building 8
13	Rehabilitation	18,280	-
14	Engineering, Carpentry, and Paint Shops	3,612	Building 2
15	Building Maintenance/Engineering and Boiler Building	2,549	Building 2
16	Dining Room and Kitchen	10,458	-
17	Santa Maria Building - Housing	31,570	-
18	Building A4 - County Mental Health Facility	14,182	Building 19
19	Building A5 - County Mental Health Facility	13,966	-
20	Microfilm Library Bunker	3,000	-
21	Employee Apartments	1,827	-
22	Employee Apartments	1,827	-
23	Employee Apartments	1,827	-
24	Employee Apartments	1,827	-
25	Employee Laundry	491	-
26	Employee Gas Station/Storage	144	-
27	Water Storage Tank and Pump House	144	-
(1) Based on the Matalon Architecture & Planning report.			

The following demonstrates how KMA has treated the individual buildings in each alternative:

Treatment of Buildings by Alternative				
Alternative	**Buildings Retained and Rehabilitated**	**Buildings Relocated and Rehabilitated**	**Buildings Demolished**	**Buildings Excluded**
Alternative 1: Reduced Project/Adaptive Reuse Alternative - Private Use (General Commercial Use)	2, 3, 4, 6, 7, 8, 9, 12, 14, 15, and 18	None	1, 5, 11, 13, 16, 17, 19, 20, 26, and 27	21, 22, 23, 24, and 25
Alternative 2: Reduced Project/Adaptive Reuse Alternative - Private Use (Specialty Retail Use)	2, 3, 4, 6, 7, 8, 9, 12, 14, 15, and 18	None	1, 5, 11, 13, 16, 17, 19, 20, 26, and 27	21, 22, 23, 24, and 25
Alternative 3: Relocation/ Adaptive Reuse Alternative - Private Use (Retail and Service Commercial Use, New Development of Office/R&D Use)	7, 8, 9, and 12	2, 3, 6, 14, and 15	1, 4, 5, 11, 13, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, and 27	None
Alternative 4: Relocation/ Adaptive Reuse Alternative - Private Use (Retail and Service Commercial Use, New Development of Residential Mixed-Use)	7, 8, 9, and 12	2, 3, 6, 14, and 15	1, 4, 5, 11, 13, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, and 27	None

Additional key items related to KMA's financial feasibility analysis are as follows:

- The Polo Barn, built in 1913, is a National Register building and currently occupies the site. The Polo Barn is not at any point included in KMA's analysis.

- Buildings 21 through 25 have been excluded from Alternatives 1 and 2 in the KMA analysis and are demolished in Alternatives 3 and 4. It has been stated in the Matalon Architecture & Planning report that these structures have been vacant for many years, deteriorated over the course of time, are small in size, contain complex configurations, and, as such, are not viable for adaptive reuse. As a result, these buildings would require extensive rehabilitation to become compliant with current codes. Due to the high cost of rehabilitation, it would be significantly more cost effective to demolish the existing buildings and construct new development.

- Buildings 1, 5, 11, 16, 17, 19, 20, 26, and 27 in all alternatives will be demolished. The County has determined that these structures are not viable for adaptive reuse due to their size, limited options for reuse, and structural condition.

- Buildings 7, 8, 9, and 12 are assumed to remain in their respective locations in all alternatives.

- Within all of the alternatives, KMA is assuming surface parking for all new and adapted buildings. Surface parking is the most cost effective approach of providing parking.

- The site may be required to be raised for flood protection. KMA has not accounted for costs associated with raising the site out of the flood plain, however, the County has estimated cost for this additional work could amount to approximately $2.4 million.

II. EXECUTIVE SUMMARY

In order to complete this financial feasibility analysis, KMA used costs for rehabilitation and reuse as provided by the other consultants retained by the County. For all other costs related to the rehabilitation of existing buildings and new development, KMA has assumed standard industry costs. In order to determine the financial feasibility of the adaptively reused buildings and the site assuming commercial land uses, KMA developed four (4) potential development alternatives, as follows:

- Alternative 1: This alternative is the reduced project/adaptive reuse alternative and assumes that all of the buildings on the site that can be adaptively reused will be rehabbed and retained in their existing locations. KMA has assumed that private users will occupy the buildings for general commercial use.

- Alternative 2: This alternative is the reduced project/adaptive reuse alternative and assumes that all of the buildings on the site that can be adaptively reused will be rehabbed and retained in their existing locations. KMA assumed that private users will occupy the buildings and create a specialty retail-themed district with specific uses involving a mix of retail, restaurants, and boutique-type tenants.

- Alternative 3: This alternative is the relocation/adaptive reuse alternative and assumes that Buildings 2, 3, 6, 14, and 15 will be relocated to the area surrounding the Polo Barn and adapted for retail and service commercial uses. KMA has assumed that private users will occupy the buildings and create a retail-themed district that can provide retail and service commercial uses. The balance of the site is proposed as new office/R&D development.

- Alternative 4: This alternative is the relocation/adaptive reuse alternative and assumes that Buildings 2, 3, 6, 14, and 15 will be relocated to the area surrounding the Polo Barn and adapted for retail and service commercial uses. KMA has assumed that private users will occupy the buildings and create a retail-themed district that can provide retail and service commercial uses. The balance of the site is proposed as new residential mixed-use development.

KMA prepared a summary table that compares the four (4) development alternatives in terms of project description, total rehabilitation/construction cost, net operating income, supportable investment, and residual land value or financial feasibility, or infeasibility.

The project description details the distribution of square footages by buildings to be retained and rehabbed, relocated and rehabbed, and the buildings that are to be demolished. Also included in the project description is the amount of new commercial and residential development (as in Alternatives 3 and 4).

The summary table provides the total rehabilitation and/or relocation cost for the existing buildings in each alternative as well as the total development cost for any new development on the site (as in Alternatives 3 and 4). These line item costs contain the following:

- Direct construction costs consist of such items as on- and off-site improvements, demolition, parking, rehabilitation, new construction, relocation, tenant improvements, and contingency. For this analysis, KMA has not assumed payment of prevailing wages.

- Indirect costs consist of architecture, engineering, public permits and fees, legal and accounting, taxes and insurance, developer fee, marketing/lease-up, and contingency.

- Financing costs consist of such items as loan fees and interest during construction.

KMA has estimated the lease revenue generated from the existing buildings and new development (as in Alternatives 3 and 4) and capitalized the annual net operating income (NOI). The capitalized value of the NOI represents the value based upon the income stream generated from the project in one lump sum amount.

KMA then deducted an appropriate target developer profit and cost of sale associated with the project to arrive at the supportable investment. After deducting the total rehabilitation and/or development cost, KMA is able to identify the residual land value, or value attributed to the land.

As shown in the following summary table, all four (4) development alternatives are financially infeasible.

SUMMARY OF ALTERNATIVES
EDGEMOOR FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO

Alternative #	**1**	**2**	**3**	**4**
Alternative Description	Reduced Project/Adaptive Reuse Alternative - Private Use (General Commercial Use)	Reduced Project/Adaptive Reuse Alternative - Private Use (Specialty Retail Use)	Relocation/Adaptive Reuse Alternative - Private Use (Retail and Service Commercial Use, New Development of Office/R&D Use)	Relocation/Adaptive Reuse Alternative - Private Use (Retail and Service Commercial Use, New Development of Residential Mixed-Use)
I. Project Description				
Total SF of Buildings to be Retained and Rehabilitated	54,019 SF	54,019 SF	15,809 SF	15,809 SF
Total SF of Buildings to be Relocated and Rehabilitated	0 SF	0 SF	22,732 SF	22,732 SF
Total SF of Buildings to be Demolished	82,499 SF	82,499 SF	105,776 SF	105,776 SF
Total SF of New Development	0 SF	0 SF	342,000 SF	237,000 SF
Total Number of Residential Units	0 Units	0 Units	0 Units	132 Units
II. Rehabilitation/Development Costs				
Total Rehabilitation Costs - Existing Buildings (1)	$31,078,000	$32,118,000	$26,273,000	$26,273,000
Total Development Costs - New Development	$0	$0	$70,440,000	$72,718,000
Total Rehabilitation/Development Costs	$31,078,000	$32,118,000	$96,713,000	$98,991,000
III. Capitalized Value of Net Operating Income				
Existing Buildings NOI	$11,080,000	$14,843,000	$7,920,000	$7,920,000
New Development NOI	$0	$0	$86,554,000	$90,645,000
Total Capitalized Value of NOI	$11,080,000	$14,843,000	$94,474,000	$98,565,000
(Less) Cost of Sale/Developer Profit	($4,994,000)	($5,263,000)	($15,431,000)	($16,576,000)
IV. Supportable Investment	$6,086,000	$9,580,000	$79,043,000	$81,989,000
(Less) Rehabilitation/New Development Costs	($31,078,000)	($32,118,000)	($96,713,000)	($98,991,000)
V. Residual Land Value	($24,992,000)	($22,538,000)	($17,670,000)	($17,002,000)

(1) Includes cost of relocation and demolition, if applicable.

Prepared by: Keyser Marston Associates, Inc.

The following presents KMA's key findings regarding the Edgemoor site, surrounding area, and market potential:

- The Edgemoor site is located within the City of Santee's Redevelopment Area, which was adopted in 1982.

- The City of Santee's primary focus within the Redevelopment Project Area is the Santee Town Center. The Santee Town Center Master Plan was adopted in 1986 and is comprised of 706 acres. The Santee Town Center encompasses the following developments: RiverView at Santee, Santee Plaza/Promenade, Santee Trolley Square, Santee Transit Center, Mission Creek housing/retail, Riverwalk housing, Town Center Community Park, and Aquatic Center. The uses at Santee Town Center contain a mix of retail, office, R&D/flex, residential, and public amenities in a pedestrian- and transit-oriented environment.

- The Santee Transit Center, located in Santee Trolley Square, serves as the hub for all bus services Citywide and the San Diego Trolley, which link Santee to San Diego State University, Mission Valley, Downtown San Diego, and other parts of the region.

- KMA believes that the relocation of certain existing buildings to surround the Polo Barn and create a retail-themed district is a physically possible option for the Edgemoor site, but not a financially feasible option. The Edgemoor site will have to compete with retail space located at the Santee Town Center, which is centrally located, contains excellent visibility, and a range of transportation opportunities.

- East County is not a large office market, however, the City of Santee appears to be receptive for quality office space, as shown in the recent new and proposed office space activity. Depending on the construction and absorption of the office/R&D space proposed at the RiverView at Santee development, this will be the Edgemoor site's major competition.

- Under the City's existing Santee Town Center Specific Plan, land uses allowed on the site consist of institutional, office, commercial, and residential. Residential uses must range between 14 and 22 units per acre.

- Due to the unique configuration of Building 12, this building will be limited in the types of retail uses that can occupy this type of space. KMA believes that likely uses might include floral and/or a card/gift shop.

- KMA finds that the cost of rehabilitation and adaptation of the buildings in Alternative 1 are far greater than the economic value of the buildings assuming general commercial uses. As such, Alternative 1 is clearly financially infeasible.

- Similar to Alternative 1, KMA finds that the cost of rehabilitation and adaptation of the buildings in Alternative 2 are far greater than the economic value of the buildings assuming retail and service commercial uses, and is also financially infeasible.

- Alternative 3 is also financially infeasible. The new office/R&D type development generates a positive land value, but is not enough to offset the immense negative residual land value produced from the rehabilitation of the existing buildings.

- Alternative 4 is also financially infeasible. The new residential mixed-use development generates a positive land value, but does not generate enough economic value to offset the immense negative residual land value produced from the rehabilitation of the existing buildings.

- The financial feasibility, or infeasibility, would not vary significantly if the County were to occupy the existing rehabbed buildings. Under all scenarios, the buildings would require extensive rehabilitation to become compliant with current codes. It would be significantly more cost effective to demolish the existing buildings and construct new development due to the high cost of rehabilitation, limitations of size and space configuration of the buildings, and inefficient use of the site.

- The County is currently under construction with the new Edgemoor Hospital facility north of the existing Edgemoor site. It should be noted, that the County's Board of Supervisors adopted Policy F-38, that specifies that any annual revenue generated from the uses at the Edgemoor site would be utilized for the ongoing operation of the new County hospital facility.

III. MARKET OVERVIEW

The following presents KMA's market analysis on the following uses: retail, office, industrial, and residential rental apartments. Tables detailing key market information referenced within this section are found in Tables 1 through 11 in the Appendix.

A. Retail

Nationally, the downturn of the housing market has affected the retail market considerably. During the time of skyrocketing home prices, consumers with great amounts of equity in their homes were able to generously spend on home furnishings and high-end accessories. This triggered retailers to aggressively expand with new stores in more locations. However, with home foreclosures at all time highs, consumers are scaling back their purchases and forcing retailers to cease expansion plans and close underperforming stores. In 2007, the home furnishings sector suffered the greatest, having nearly a quarter of all store closings. Economists find that this year, the apparel sector is being hit the hardest, representing nearly 40% of all store closings.

However, according to the Marcus & Millichap 2008 National Retail Report, San Diego is projected to rank as the second strongest retail market in the nation. It is anticipated that although vacancy rates will rise slightly in retail properties, the retail market will continue to support strong rent growth. Marcus & Millichap predicted that 1.4 million SF of retail space will be developed in San Diego County and retail rents are expected to rise 6% from last year.

KMA profiled the East San Diego County retail market in comparison to the overall San Diego County retail market. As shown below, the East County submarkets encompass approximately 12% of the County's retail inventory. Vacancy rates are remarkably low with conventional asking lease rates.

EXISTING RETAIL MARKET CONDITONS, 4th QUARTER 2007				
	Retail Inventory			
Submarket	Total SF	Percent of County	Vacancy Rate	Average Asking Lease Rate (1)
El Cajon	2,773,791	4.7%	1.1%	$1.89 /SF/Month
La Mesa/San Carlos	2,507,420	4.3%	1.9%	$1.90 /SF/Month
Santee/Lakeside	1,617,162	2.7%	1.8%	$2.32 /SF/Month
San Diego County	58,825,098	100.0%	3.0%	$2.18 /SF/Month

(1) Leases are triple-net.
Source: CB Richard Ellis

KMA reviewed retail asking lease rates for the cities of El Cajon, Lakeside, and Santee. KMA found that these areas collectively yielded a median of $1.56 per SF/month. Retail building sales within the City of Santee (City) ranged between $105 to $500 per SF, with a median of $263 per SF. Cap rates within the retail building sales averaged a healthy 6%.

The vast amount of retail inventory within the City is generally located along Mission Gorge Road. Santee Trolley Square Town Center, which opened in 2002, is the newest retail development in the City. The 453,000-SF center contains approximately 45 nationally recognized retailers. Anchor tenants include Bed Bath & Beyond, Barnes & Noble, Old Navy, PetsMart, Staples, Target, and TJ Maxx. The City also boasts other big-box tenants in the Santee Plaza/Promenade shopping centers such as Costco, Home Depot, Michaels, Ross Dress for Less, and Wal-Mart.

B. Office

According to Marcus & Millichap, nationwide office inventory is expected to increase by less than 2% in 2008. Office property owners are anticipated to experience an increase in competition from the sublease market, which is expanding as banking- and housing-related layoffs escalate. Vacancy in Class A office space is expected to remain below the marketwide average but the lease rates will increase during the first half of 2008. In 2007, Class B office recorded great increases in sublease availability, with much of it concentrated in suburban areas where residential real estate firms cut back on staff and office locations. It is anticipated that Class B and C office vacancies will modestly increase and lease rates will increase by 5%. Medical office vacancy will increase to about 7.5% due to an increase in inventory, however, demand for medical office space is expected to rise over the next 10 to 15 years.

San Diego County produced 2.1 million SF of office space by the end of 2007, however, the County also experienced several key economic misfortunes including the downturn of the housing market, the October wildfires which forced businesses to close, and a reduction in employment. Layoffs in employment are expected to continue through the first half of 2008. Developers are anticipated to develop approximately 1 million SF of office space in 2008, down from 2007. Asking rents are forecasted to increase by nearly 4% in 2008. The majority of the County's office inventory is located in Downtown San Diego (9.4 million SF) and several central San Diego suburban communities, such as Del Mar Heights, Kearny Mesa, Mission Valley, Rancho Bernardo, and University Town Center.

KMA evaluated the existing office market conditions of the East San Diego County submarket and found that it is less than 2% of the County-wide inventory. East County lease rates range between $1.50 to $2.08 per SF/month, with vacancies ranging between 9.5% to 14%.

EXISTING OFFICE MARKET CONDITONS, 4th QUARTER 2007

Submarket	Office Inventory Total SF	Office Inventory Percent of County	Vacancy Rate	Average Asking Lease Rate (1)	
Mission Gorge	702,567	1.2%	14.2%	$1.50	/SF/Month
East County	346,938	0.6%	9.5%	$2.08	/SF/Month
San Diego County	54,651,773	100.0%	14.0%	$2.42	/SF/Month

(1) Leases are full-service gross.
Source: CB Richard Ellis

KMA also reviewed sales of office buildings and office condominiums in the cities of El Cajon, Lakeside, and Santee and found that sales ranged between $143 and $540 per SF, with a median of $236 per SF. Cap rates for the office buildings averaged 6.5%. Sales of medical office buildings ranged between $104 and $269 per SF, with a median of $189 per SF. Cap rates for medical office buildings averaged 6.8%.

The City of Santee is leading the East County office market with the new RiverView at Santee development. RiverView at Santee is anticipated to yield 1.9 million SF of new development in a master-planned mixed-use campus that will house R&D and professional office space along the San Diego River. RiverView at Santee will wrap around the Santee Trolley Square shopping center with frontage on Cuyamaca Street, Mission Gorge Road, and Magnolia Avenue.

The first of the corporate tenants located in the RiverView at Santee development was Hartford Financial Services, which relocated from their Mission Valley office to occupy 77,000 SF in 2003. Upon completion of the development, RiverView at Santee will be a premier business location in San Diego County, providing a rare combination of high-tech opportunities in East County.

Cuyamaca Town Commons opened in late 2005 providing 38,400 SF of condominium office space and appears to be a viable office development with condominium sales averaging $252 per SF.

C. Industrial

According to Marcus & Millichap, economic growth is expected to reduce the tenant demand for industrial space. Construction of new industrial development in 2008 is expected to decline from what was produced in 2007. Much of the development will be concentrated within the top 4 industrial markets -- the Inland Empire (Riverside/San Bernardino Counties), Chicago, Atlanta, and Dallas. Since home building has significantly decreased, manufacturers and distributors of construction materials and other housing related products have felt a shift in demand. Fortunately, the industrial market has received an increase from international trade and foreign demand for U.S. goods has strengthened over the past few years. New supply of industrial space and an easing of demand will cause vacancy to increase to 10% in 2008. Rents are expected to rise by approximately 2%. Marketwide cap rates over the past year have averaged around 7.3% and are expected to remain unchanged through the coming year.

By the end of the 4th quarter in 2007, the industrial market in San Diego County had a strong finish in terms of net absorption. San Diego County remains one of the top industrial markets in the nation. Vacancy in industrial properties within the County was at about 7.2%. The Central San Diego submarket accounts for 45% of the total industrial market in the County followed by North County with 35% and the South County with 20%. East County is a part of the overall Central San Diego submarket and accounts for 6.4% of the total Countywide industrial inventory. Lease rates are at $0.87 per SF, which is lower than the overall County average, but inline with the Central County submarket average lease rate of $0.86 per SF.

According to a report prepared by Grubb & Ellis, R&D/Flex industrial space accounts for about 22% of the total industrial inventory in the County. R&D/Flex industrial space within the County contains a vacancy rate of 9.5% and an average lease rate of $1.37 per SF.

EXISTING INDUSTRIAL MARKET CONDITONS, 4th QUARTER 2007				
	Industrial Inventory			
Submarket	**Total SF**	**Percent of County**	**Vacancy Rate**	**Average Asking Lease Rate** (1)
Mission Gorge	1,675,285	0.9%	7.3%	$0.87 /SF/Month
East County	10,753,274	5.5%	3.0%	$0.87 /SF/Month
San Diego County	194,422,236	100.0%	7.2%	$1.13 /SF/Month

(1) Leases are triple-net.
Source: CB Richard Ellis

Industrial space in the East County submarket is primarily located in the cities of El Cajon, Lakeside and Santee. KMA surveyed asking lease rates within these areas and found that industrial properties contained a median asking rate of $0.95 per SF.

Industrial building sales ranged between $83 and $432 per SF, or a median of $148 per SF. KMA also reviewed the industrial land sales in these areas and found that sales ranged between $10 and $25 per SF land area, or a median of $21 per SF.

D. Residential Apartments

The Specific Plan for the subject site allows for multi-family residential. KMA, as an alternative, has evaluated the financial feasibility of an apartment complex on a portion of the site (see Alternative 4). The following presents an overview of the apartment market.

Demand in the apartment market overall has increased due to the flattening of the for-sale housing market -- increased home foreclosures and more conservative lender underwriting criteria for new buyers. According to Marcus & Millichap, there are approximately 100,000 apartment units anticipated to come online in 2008, which is an increase of 84,000 units from 2007, but still lower than the period between the late 1990s and 2001. Apartment vacancy is expected to remain steady through 2008 at 5.8%. Rental rates are anticipated to remain healthy and will support an increase of approximately 4% this year. The trend seen between 2003 and 2006 of converting apartments to for-sale condominiums is reversing. It is expected that about 10% of these units are returning to the apartment inventory.

In San Diego County, the apartment market is expected to improve modestly this year, supported steadily by new job growth and a limited new supply of apartment units. Employers are predicted to expand payrolls, and most notably in the leisure and hospitality sector – which will add about 3,000 new jobs and spur additional demand for rental apartments.

It is anticipated that San Diego will deliver 1,200 apartment units this year, the majority to be built in the Mira Mesa and Rancho Bernardo submarkets. Vacancy is expected to remain at a healthy 4.3% in 2008, with strong occupancy levels. This will aid in increasing rental rates up by 4%. KMA evaluated apartment rental rates within the City of Santee. KMA found that median lease rates are as follows:

Overview of Apartment Rents, City of Santee
(Median Values) (1)

	Unit SF	Monthly Rent	Rent/SF
One-Bedroom	615	$925	$1.52
Two-Bedroom	900	$1,200	$1.34
Three-Bedroom	1,200	$1,350	$1.29

(1) As of March 2008.

KMA evaluated the sales of multi-family residential properties within the cities of El Cajon, Lakeside, and Santee and found the sales per SF of land area ranged between $1.43 per SF land area for larger sites and $70.58 per SF land area for smaller sites. These sales result in a median of $11.41 per SF for a 5.92-acre site.

IV. FINANCIAL FEASIBILITY OF DEVELOPMENT ALTERNATIVES

A. Summary of Alternatives

KMA has prepared four (4) development alternatives for the site. They are as follows:

- Alternative 1: This alternative is the reduced project/adaptive reuse alternative and assumes that all of the buildings on the site that can be adaptively reused will be rehabbed and retained in their existing locations. KMA has assumed that private users will occupy the buildings for a general commercial use.

- Alternative 2: This alternative is the reduced project/adaptive reuse alternative and assumes that all of the buildings on the site that can be adaptively reused will be rehabbed and retained in their existing locations. KMA assumed that private users will occupy the buildings and create a specialty retail-themed district with specific uses involving a mix of retail, restaurants, and boutique-type tenants.

- Alternative 3: This alternative is the relocation/adaptive reuse alternative and assumes that Buildings 2, 3, 6, 14, and 15 will be relocated to the area surrounding the Polo Barn and adapted for retail and service commercial uses. KMA has assumed that private users will occupy the buildings and create a retail-themed district that can provide retail and service commercial uses. The balance of the site is proposed as new office/R&D development.

- Alternative 4: This alternative is the relocation/adaptive reuse alternative and assumes that Buildings 2, 3, 6, 14, and 15 will be relocated to the area surrounding the Polo Barn and adapted for retail and service commercial uses. KMA has assumed that private users will occupy the buildings and create a retail-themed district that can provide retail and service commercial uses. The balance of the site is proposed as new residential mixed-use development.

B. Alternative 1: Reduced Project/Adaptive Reuse Alternative – Private Use (General Commercial Use)

Tables 12 through 15 detail the proposed project description, the cost and revenues, and financial feasibility of Alternative 1.

Table 12 provides a detailed breakout of the buildings to be retained and rehabbed and the buildings that are to be demolished, and their respective square footages. This table also provides an allocation of parking spaces required to support the commercial uses.

This alternative assumes that 11 buildings will be retained, rehabbed, and adapted for general commercial use.

Alternative 1: Reduced Project/Adaptive Reuse Alternative - Private Use (General Commercial Use)		
Buildings to be Retained and Rehabilitated	11	Buildings
Total SF of Retained and Rehabilitated Buildings	54,019	SF
Buildings to be Demolished	10	Buildings
Total SF of Demolished Buildings	82,499	SF
Number of Parking Spaces	162	Spaces
Parking Ratio	3.0	Spaces/1,000 SF

Table 13 details the estimated cost of rehabilitation and adaptation of these buildings broken out by direct construction (rehabilitation) costs, indirect costs, and financing costs, as follows:

- Direct construction costs consist of such items as on- and off-site improvements, demolition, parking, rehabilitation, tenant improvements, and contingency. For this analysis KMA has assumed no payment of prevailing wages.

- Indirect costs consist of architecture, engineering, public permits and fees, legal and accounting, taxes and insurance, developer fee, marketing/lease-up, and contingency.

- Financing costs consist of such items as loan fees and interest during construction.

The total cost of rehabilitation amounts to $31.1 million, as follows:

Alternative 1: Reduced Project/Adaptive Reuse Alternative - Private Use (General Commercial Use)	
	(in Millions)
Total Direct Costs	$21.0
Total Indirect Costs	$5.8
Total Financing Costs	$2.1
Total Project Contingency	$2.2
Total Rehabilitation Cost	$31.1

Table 14 presents an estimate of the NOI for the general commercial uses. NOI is detailed illustrating the gross scheduled income less vacancy and unreimbursed operating expenses. The annual NOI is capitalized at 7.5% and totals $11.1 million.

Table 15 presents KMA's calculation of residual land value (supportable land value) and an estimate of financial surplus/deficit, i.e., a comparison of the economic value (after the buildings are rehabbed, adapted, and leased for general commercial uses) to the total rehabilitation cost. As indicated on this table, the supportable investment (after deducting the cost of sale or leasing and developer profit from the capitalized value of the NOI) is $6.1 million. After deducting the total rehabilitation cost, the economic gap results in a *negative* $25 million. This indicates that no value can be attributed to the land.

Alternative 1: Reduced Project/Adaptive Reuse Alternative - Private Use (General Commercial Use)	
	(in Millions)
Supportable Investment (1)	$6.1
(Less) Total Rehabilitation Cost	($31.1)
Residual Land Value	($25.0)

(1) Represents net operating income less developer profit and cost of sale.

In summary, KMA finds that the cost of rehabilitation and adaptation of the buildings in Alternative 1 are far greater than the economic value of the buildings assuming general commercial uses.

C. Alternative 2: Reduced Project/Adaptive Reuse Alternative – Private Use (Specialty Retail Use)

Tables 16 through 19 detail the proposed project description, the cost and revenues, and financial feasibility of Alternative 2. As shown below, retention and rehabilitation of the buildings in Alternative 2 are identical to those in Alternative 1.

Alternative 2: Reduced Project/Adaptive Reuse Alternative - Private Use (Specialty Retail Use)		
Buildings to be Retained and Rehabilitated	11	Buildings
Total SF of Retained and Rehabilitated Buildings	54,019	SF
Buildings to be Demolished	10	Buildings
Total SF of Demolished Buildings	82,499	SF
Number of Parking Spaces	162	Spaces
Parking Ratio	3.0	Spaces/1,000 SF

Since the retention and rehabilitation of buildings in Alternative 2 has not been modified from Alternative 1, the total cost of rehabilitation is essentially identical to the cost in Alternative 1, however, KMA has allowed for a higher tenant improvement allowance to reflect the higher quality retail tenants, as shown below:

Alternative 2: Reduced Project/Adaptive Reuse Alternative - Private Use (Specialty Retail Use)	
	(in Millions)
Total Direct Costs	$21.8
Total Indirect Costs	$6.0
Total Financing Costs	$2.2
Total Project Contingency	$2.2
Total Rehabilitation Cost	$32.1

Table 18 presents an estimate of the NOI for the retail and boutique-type uses. NOI is detailed illustrating the gross scheduled income less vacancy and unreimbursed operating expenses. The annual NOI is capitalized at 7.0% and totals $14.8 million.

Table 19 presents KMA's calculation of residual land value (supportable land value) and an estimate of financial surplus/deficit, i.e., a comparison of the economic value (after the buildings are rehabbed, adapted, and leased for retail and boutique-type uses) to the total rehabilitation cost. As indicated on this table, the supportable investment (after deducting the cost of sale or leasing and developer profit from the capitalized value of the NOI) is $9.6 million. After deducting the total rehabilitation cost, the economic gap results in a *negative* $22.5 million. This indicates that no value can be attributed to the land.

Alternative 2: Reduced Project/Adaptive Reuse Alternative - Private Use (Specialty Retail Use)	
	(in Millions)
Supportable Investment (1)	$9.6
(Less) Total Rehabilitation Cost	($32.1)
Residual Land Value	($22.5)

(1) Represents net operating income less developer profit and cost of sale.

Similar to Alternative 1, KMA finds that the cost of rehabilitation and adaptation of the buildings in Alternative 2 are far greater than the economic value of the buildings assuming specialty retail and boutique-type uses.

D. Alternative 3: Relocation/Adaptive Reuse Alternative – Private Use (Retail and Service Commercial Use, New Development of Office/R&D Use)

Tables 20 through 24 detail the proposed project description, development cost and revenues for the relocation, rehabilitation, and adaptation of the existing buildings to be retained and reused and new office/R&D development.

Table 20 provides a detailed breakout of the existing buildings that will be rehabbed and retained, rehabbed and relocated, and demolished. Alternative 3 assumes that buildings 7, 8, 9, and 12 will be retained, rehabbed, and adapted for retail and service commercial uses in their existing locations. This alternative also assumes that buildings 2, 3, 6, 14, and 15 will be relocated to the northerly portion of the site to the areas surrounding the Polo Barn and be rehabbed and adapted for retail and service commercial uses.

Table 21 details the site area for new development, 19.6 acres, the gross building area of new buildings to be constructed, 342,000 SF, and the parking required to serve the new office/R&D type development. KMA has assumed the new development will be of a Type V construction, contain a floor area ratio (FAR) of 0.40, range between one to two stories, and contain surface parking.

Alternative 3: Relocation/Adaptive Reuse Alternative - Private Use (Retail and Service Commercial Use, New Development of Office/R&D Use)		
Existing Buildings		
Buildings to be Retained and Rehabilitated	4	Buildings
Total SF of Retained and Rehabilitated Buildings	15,809	SF
Buildings to be Relocated and Restored	5	Buildings
Total SF of Relocated and Rehabilitated Buildings	22,732	SF
Buildings to be Demolished	17	Buildings
Total SF of Demolished Buildings	105,776	SF
Number of Parking Spaces	116	Spaces
Parking Ratio	3.0	Spaces/1,000 SF
New Development		
Total Office/R&D Space	342,000	SF
Number of Parking Spaces	1,368	Spaces
Parking Ratio	4.0	Spaces/1,000 SF

Table 22 details the direct, indirect, and financing costs for rehabilitation, relocation, demolition for the existing buildings and construction cost for the new office/R&D development. Rehabilitation and development cost for the two components total $96.7 million.

Alternative 3: Relocation/Adaptive Reuse Alternative - Private Use (Retail and Service Commercial Use, New Development of Office/R&D Use)			
(in Millions)	**Existing Buildings**	**New Development**	**Totals**
Total Direct Costs	$18.1	$55.8	$73.9
Total Indirect Costs	$4.7	$10.2	$14.9
Total Financing Costs	$1.8	$4.5	$6.3
Total Project Contingency	$1.7	$0.0	$1.7
Total Rehabilitation/Development Cost	$26.3	$70.4	$96.7

Table 23 details the NOI for the rehabbed and adapted buildings assuming retail, service commercial uses and new office/R&D development. To establish the economic value of the buildings, the annual NOI is capitalized at 6.5% and 7.5%, respectively, and totals $7.9 million for the existing buildings and $86.5 million for the new development.

Table 24 presents KMA's calculation of residual land value (supportable land value) and an estimate of financial surplus/deficit, i.e., a comparison of the economic value (after the buildings are rehabbed, adapted, and leased for retail and service commercial uses) to the total rehabilitation/development cost. As indicated on this table, the supportable investment for the existing buildings is $3.7 million and $75.3 million for the new development. After deducting the total rehabilitation and development cost, the economic gap results in a *negative* $17.7 million. This indicates that no value can be attributed to the land.

Alternative 3: Relocation/Adaptive Reuse Alternative - Private Use (Retail and Service Commercial Use, New Development of Office/R&D Use)	
	(in Millions)
Supportable Investment (1)	$79.0
(Less) Total Rehabilitation/Development Cost	($96.7)
Residual Land Value	($17.7)

(1) Represents net operating income less developer profit and cost of sale.

Alternative 3 is clearly financially infeasible. The small positive land value generated from the new office/R&D development does not begin to cover the immense negative residual land value produced from the rehabilitation of the existing buildings.

E. Alternative 4: Relocation/Adaptive Reuse Alternative – Private Use (Retail and Service Commercial Use, New Development of Residential Mixed-Use)

Tables 25 through 30 detail the proposed project description, development cost and revenues for the relocation, rehabilitation, and adaptation of the existing buildings to be retained and reused and new residential mixed-use development.

Table 25 provides a detailed breakout of the existing buildings that will be rehabbed and retained, rehabbed and relocated, and demolished. Alternative 4 assumes that buildings 7, 8, 9, and 12 will be retained, rehabbed, and adapted for retail and service commercial uses in their existing locations. This alternative also assumes that buildings 2, 3, 6, 14, and 15 will be relocated to the northerly portion of the site to the areas surrounding the Polo Barn and be rehabbed and adapted for retail and service commercial uses.

Table 26 details the site area for new development, 19.6 acres, the gross building area of new residential mixed-use buildings to be constructed and the parking required to serve the residential mixed-use development. KMA has assumed a new garden-style residential apartment complex on 6 acres. The two-story apartment complex is assumed to be Type V construction, yield a density of 22 units per acre, with an average unit size of 925 SF, and contain surface parking. For the office complex component, KMA has assumed that the new development will be Type V construction, with an FAR of 0.40, range between one to two stories, and contain surface parking.

Alternative 4: Relocation/Adaptive Reuse Alternative - Private Use (Retail and Service Commercial Use, New Development of Residential Mixed-Use Use)		
Existing Buildings		
Buildings to be Retained and Rehabilitated	4	Buildings
Total SF of Retained and Rehabilitated Buildings	15,809	SF
Buildings to be Relocated and Restored	5	Buildings
Total SF of Relocated and Rehabilitated Buildings	22,732	SF
Buildings to be Demolished	17	Buildings
Total SF of Demolished Buildings	105,776	SF
Number of Parking Spaces	116	Spaces
Parking Ratio	3.0	Spaces/1,000 SF
New Development		
Residential Apartments		
Total Residential Units	132	Units
Total Residential SF	128,500	SF
Number of Parking Spaces	231	Spaces
Parking Ratio	1.8	Spaces/Unit
Office Complex		
Total Office Complex SF	237,000	SF
Number of Parking Spaces	948	Spaces
Parking Ratio	4.0	Spaces/1,000 SF

Table 27 details the direct, indirect, and financing costs for rehabilitation, relocation, demolition for the existing building and construction cost for the new residential mixed-use development. Rehabilitation and development cost for the two components total $99 million.

Alternative 4: Relocation/Adaptive Reuse Alternative - Private Use (Retail and Service Commercial Use, New Development of Residential Mixed-Use)			
(in Millions)	**Existing Buildings**	**New Development**	**Totals**
Total Direct Costs	$18.1	$55.8	$73.9
Total Indirect Costs	$4.7	$12.4	$17.1
Total Financing Costs	$1.8	$4.5	$6.3
Total Project Contingency	$1.7	$0.0	$1.7
Total Rehabilitation/Development Cost	$26.3	$72.7	$99.0

Table 28 details the NOI for the rehabbed and adapted buildings assuming retail and service commercial uses and also provides detail on the NOI of new office complex development. To establish the economic value of the buildings, the annual NOI is capitalized at 6.5% and 7.5%, respectively, and totals $7.9 million for the existing buildings and $59.9 million for the new office complex development.

Table 29 provides KMA's estimate of NOI for the new rental residential apartment complex development. To establish the economic value of the buildings, the annual NOI is capitalized at 5.5%, and totals $30.7 million.

Table 30 presents KMA's calculation of residual land value (supportable land value) and an estimate of financial surplus/deficit, i.e., a comparison of the economic value to the total rehabilitation/development cost. As indicated on this table, the supportable investment for the existing buildings is $3.7 million and $78.2 million for the new development. After deducting the total rehabilitation and development cost, the economic gap results in a *negative* $17 million. This indicates that no value can be attributed to the land.

Alternative 4: Relocation/Adaptive Reuse Alternative - Private Use (Retail and Service Commercial Use, New Development of Residential Mixed-Use)	
	(in Millions)
Supportable Investment (1)	$82.0
(Less) Total Rehabilitation/Development Cost	($99.0)
Residual Land Value	($17.0)

(1) Represents net operating income less developer profit and cost of sale.

Alternative 4 is also financially infeasible. The small positive land value generated from the new residential mixed-use development does not begin to cover the immense negative residual land value produced from the rehabilitation of the existing buildings.

V. LIMITING CONDITIONS

1. The analysis contained in this document is based, in part, on data from secondary sources such as state and local government, planning agencies, real estate brokers, and other third parties. While KMA believes that these sources are reliable, we cannot guarantee their accuracy.

2. The analysis assumes that neither the local nor national economy will experience a major recession. If an unforeseen change occurs in the economy, the conclusions contained herein may no longer be valid.

3. The development concept will not vary significantly from that identified in this analysis.

4. Development opportunities are assumed to be achievable during the specified time frame. A change in development schedule requires that the conclusions contained herein be reviewed for validity.

5. The analysis, opinions, recommendations and conclusions of this document are KMA's informed judgment based on market and economic conditions as of the date of this report. Due to the volatility of market conditions and complex dynamics influencing the economic conditions of the building and development industry, conclusions and recommended actions contained herein should not be relied upon as sole input for final business decisions regarding current and future development and planning.

6. Any estimates of development costs, capitalization rates, income and/or expense projections are based on the best available project-specific data as well as the experiences of similar projects. They are not intended to be projections of the future for the specific project. No warranty or representation is made that any of the estimates or projections will actually materialize.

7. No assurances are provided by KMA as to the certainty of the projected tax increment revenues shown in this document. The projection reflects KMA's understanding of the assessment and tax apportionment procedures employed by the County. The County procedures are subject to change as a reflection of policy revisions or legislative mandate. Any State mandated payments resulting from current or proposed legislation, and incorporated herein, reflects State policies known to KMA at the present time and are subject to future legislative changes that could impact this projection. While we believe our estimates to be reasonable, actual taxable values will vary from the amounts assumed in the

projection. Actual revenues may be higher or lower than what has been projected and are subject to valuation changes resulting from new developments or transfers of ownership not specifically identified herein, actual resolution of outstanding appeals, future filing of appeals, or the non-payment of taxes due.

APPENDIX

EDGEMOOR FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO

TABLE 1

ASKING RETAIL LEASE RATES (1)
EDGEMOOR FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO

Property Address	City	Available Space		Rent Per SF/Month	Building Size		Year Built
1275 Broadway	El Cajon	1,911	SF	$3.56	1,911	SF	N/A
10538 Mission Gorge Rd	Santee	5,623	SF	$3.25	5,623	SF	N/A
388 E Main St	El Cajon	1,908	SF	$2.75	1,908	SF	N/A
393 E Chase	El Cajon	2,800	SF	$2.50	2,800	SF	N/A
133, 155, & 175 W Main St	El Cajon	14,181	SF	$2.50	30,000	SF	2007
265 El Cajon Blvd	El Cajon	3,800	SF	$2.30	3,800	SF	N/A
790 N Johnson	El Cajon	4,627	SF	$2.25	4,627	SF	N/A
306-354 Broadway	El Cajon	900	SF	$2.25	12,000	SF	N/A
205-225 Town Center Pkwy	Santee	1,500	SF	$2.25	175,000	SF	1996
2860 Fletcher Pkwy	El Cajon	1,200	SF	$2.10	20,000	SF	N/A
555 Montrose Ct	El Cajon	9,700	SF	$2.00	9,700	SF	1985
850-860 Jamacha Rd	El Cajon	4,930	SF	$2.00	18,591	SF	1990
131 E Main St	El Cajon	43,000	SF	$2.00	43,000	SF	N/A
562 E Main St	El Cajon	1,662	SF	$2.00	4,250	SF	N/A
1299 E Main St	El Cajon	3,300	SF	$1.75	16,221	SF	N/A
8575 Los Coches Rd	El Cajon	2,248	SF	$1.56	16,744	SF	1987
1558 N Magnolia Ave	El Cajon	1,000	SF	$1.50	13,000	SF	N/A
130-210 W Bradley Ave	El Cajon	2,408	SF	$1.45	30,000	SF	1986
10757 Woodside Ave	Santee	6,300	SF	$1.45	6,300	SF	N/A
2315 Fletcher Pkwy	El Cajon	6,283	SF	$1.35	6,283	SF	N/A
1108 Broadway	El Cajon	900	SF	$1.25	12,768	SF	1987
116-118 E Main St	El Cajon	4,700	SF	$1.25	4,700	SF	N/A
162 Main St	El Cajon	1,600	SF	$1.25	1,600	SF	1946
12419 Woodside Ave	Lakeside	22,500	SF	$1.25	22,500	SF	N/A
8790 Cuyamaca St	Santee	2,480	SF	$1.25	17,550	SF	N/A
1604-1626 N Magnolia Ave	El Cajon	7,625	SF	$1.20	18,181	SF	1978
130 W Washington	El Cajon	1,350	SF	$1.15	1,350	SF	N/A
227-231 W Douglas Ave	El Cajon	2,600	SF	$1.10	2,600	SF	N/A
9901-9909 Maine Ave	Lakeside	1,640	SF	$1.01	4,940	SF	N/A
12330-12346 Woodside Ave	Lakeside	2,330	SF	$0.95	34,706	SF	N/A
9842 Channel Rd	Lakeside	5,500	SF	$0.85	5,500	SF	N/A
	Minimum	900	SF	$0.85	1,350	SF	1946
	Maximum	43,000	SF	$3.56	175,000	SF	2007
	Median	2,600	SF	$1.56	9,700	SF	1987
	Average	5,565	SF	$1.78	17,682	SF	1985

(1) Survey represents the cities of El Cajon, Lakeside, and Santee.

Source: Loopnet.com
Prepared by: Keyser Marston Associates, Inc.
Filename i: County\Edgemoor feasibility analysis.xls\5/16/2008;hrm

TABLE 2

RETAIL BUILDING SALES, CITY OF SANTEE, JANUARY 2005 TO PRESENT
EDGEMOOR FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO

				Building Area		Cap	Year	
Sale Date	Address	Sale Price	Acres	SF	$/SF	Rate	Built	Property Description
10/09/07	9456 Cuyamaca St	$283,500	1.6	1,006	$282	N/A	2007	Mission Creek Commons retail condominium - Bldg. 2
10/04/07	9466 Cuyamaca St	$369,500	N/A	1,407	$263	N/A	2007	Mission Creek Commons retail condominium - Bldg. 4
10/14/05	10009 Mission Gorge Rd	$1,029,500	0.7	3,100	$332	N/A	1999	Carl's Jr. restaurant
05/31/06	9470-9490 Cuyamaca St	$5,450,000	0.5	17,526	$311	6.1%	1995	Mission Creek Shopping Center
06/14/06	214-294 Town Center Pkwy	$23,400,000	8.5	103,903	$225	6.0%	1994	Santee Town Center
05/01/06	70 Town Center Pkwy	$3,100,000	1.0	6,773	$458	5.7%	1991	General freestanding building
11/21/05	50 Town Center Pkwy	$4,750,000	1.0	9,500	$500	5.6%	1991	Santee Town Center
07/08/05	245 Town Center Pkwy	$2,200,000	0.3	4,525	$486	6.0%	1991	T-Mobile and National Vision general freestanding retail
09/14/05	235 Town Center Pkwy	$7,500,000	2.4	25,731	$291	6.1%	1990	General freestanding building
12/22/06	10769 Woodside Ave	$2,325,000	1.2	20,432	$114	N/A	1985	Strip center building
07/01/05	10769 Woodside Ave	$2,150,000	1.2	20,432	$105	6.0%	1985	Retail strip center
11/30/05	9955 Mission Gorge Rd	$1,203,500	2.4	8,760	$137	N/A	1984	Cuyamaca Bank
11/13/07	9730 Mission Gorge Rd	$3,751,631	1.9	21,000	$179	7.2%	1979	CVS Pharmacy
12/04/07	9261 Mission Gorge Rd	$682,500	0.5	3,084	$221	N/A	N/A	General freestanding building
02/23/07	10350 Mission Gorge Rd	$1,549,000	0.4	4,620	$335	N/A	N/A	General freestanding building
11/09/06	9261 Mission Gorge Rd	$543,000	0.5	3,084	$176	N/A	N/A	General freestanding building
09/13/06	10152 Mission Gorge Rd	$1,140,000	0.6	6,280	$182	N/A	N/A	General freestanding building
	Minimum	$283,500	0.3	1,006	$105	5.6%	1979	
	Maximum	$23,400,000	8.5	103,903	$500	7.2%	2007	
	Median	$2,150,000	1.0	6,773	$263	6.0%	1991	
	Average	$3,613,361	1.5	15,363	$270	6.1%	1992	

Source: CoStar Comps., Inc.
Prepared by: Keyser Marston Associates, Inc.
Filename: County\Edgemoor feasibility analysis.xls\5/16/2008; ema

TABLE 3

COMMERCIAL LAND SALES, JANUARY 2005 TO PRESENT (1)
EDGEMOOR FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO

Sale Date	Address	City	Sale Price	Land Area Acres	Land Area SF	Land Area $/SF	Land Improvements	Intended Use
12/11/07	11385 Woodside Ave	Santee	$650,000	0.9	38,333	$16.96	Previously developed	Industrial development
07/31/07	10055 Mission Gorge Rd	Santee	$1,934,000	1.9	80,586	$24.00	N/A	Restaurant
07/20/07	550 Harbison Canyon Rd	El Cajon	$325,000	0.7	30,004	$10.83	Raw land	Hold for development
06/26/07	Window Glen Dr	El Cajon	$875,000	14.3	620,730	$1.41	N/A	Unknown
05/30/07	Riverford Rd @ Hwy 67	Lakeside	$2,500,000	4.8	208,217	$12.01	N/A	Unknown
12/18/06	8069 Mission Gorge Rd	Santee	$220,000	0.2	6,578	$33.44	Rough graded	Office development
12/18/06	8049-8069 Mission Gorge Rd	Santee	$140,000	0.1	4,312	$32.47	Rough graded	Office development
11/21/06	10512 Mission Gorge Rd	Santee	$3,250,000	1.7	73,616	$44.15	Previously developed	Drug store
08/24/06	SWC Carlton Hills Blvd and Willowgrove Ave	Santee	$340,500	0.3	10,890	$31.27	Raw land	Hold for development
08/23/06	NWC Mission Gorge Rd and Town Center Pkwy	Santee	$9,000,000	5.3	229,126	$39.28	N/A	Wal-Mart
08/17/06	12087 Woodside Ave	Lakeside	$1,100,000	0.5	22,216	$49.51	N/A	Unknown
06/29/06	1341 E Main St	El Cajon	$780,000	0.8	34,848	$22.38	N/A	Unknown
12/27/05	1766 E Main St	El Cajon	$2,460,000	3.4	148,104	$16.61	Fully improved	Hold for development
12/21/05	13757 Olde Highway 80	El Cajon	$775,000	0.9	38,768	$19.99	N/A	Hold for development
11/29/05	Railroad Ave, S of Mission Gorge Rd	Santee	$280,000	0.8	32,670	$8.57	N/A	Hold for investment
11/07/05	Riverford Rd @ Hwy 67	Lakeside	$2,340,000	4.8	208,217	$11.24	N/A	Hold for development
10/20/05	1700 E Main St	El Cajon	$1,100,000	0.6	23,958	$45.91	Finished lot	Hold for development
09/09/05	Woodside Ave, W of Riverview	Lakeside	$675,000	1.8	78,844	$8.56	Raw land	Hold for development
07/08/05	Carlton Oaks Dr @ E Heaney Circle	Santee	$300,000	0.5	21,344	$14.06	Finished lot	Carlton Square office development
05/16/05	SEC Cuyamaca St and Mast Blvd	Santee	$525,000	0.5	23,136	$22.69	Raw land	Hold for development
03/24/05	239 S Sunshine Ave	El Cajon	$530,000	0.2	6,534	$81.11	N/A	Unknown
03/11/05	11385 Woodside Ave	Santee	$630,000	0.9	38,333	$16.43	Previously developed	Industrial development
01/27/05	8809 Mission Gorge Rd	Santee	$5,118,000	2.5	107,158	$47.76	Rough graded	Hold for development
01/12/05	399 N Magnolia Ave	El Cajon	$1,790,000	0.7	31,363	$57.07	Fully improved	Rubio's restaurant
		Minimum	$140,000	0.1	4,312	$1.41		
		Maximum	$9,000,000	14.3	620,730	$81.11		
		Median	$777,500	0.8	36,591	$22.54		
		Average	$1,568,229	2.0	88,245	$27.82		

(1) Survey includes the Cities of El Cajon, Lakeside, and Santee.

Source: CoStar Comps., Inc.
Prepared by: Keyser Marston Associates, Inc.
Filename: County\Edgemoor feasibility analysis.xls\5/16/2008; ema

TABLE 4

ASKING OFFICE LEASE RATES (1)
EDGEMOOR FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO

Property Address	City	Available Space		Rent Per SF/Month	Building Size		Year Built
9530 Cuyamaca St	Santee	1,550	SF	$2.50	4,400	SF	2006
1530 Hilton Head Rd	El Cajon	25,415	SF	$2.25	58,588	SF	N/A
9500 Cuyamaca St	Santee	1,800	SF	$1.88	4,400	SF	N/A
898 Jackman St	El Cajon	6,024	SF	$1.82	6,024	SF	N/A
9456 Cuyamaca St	Santee	1,342	SF	$1.80	5,000	SF	2007
133 W Main St	El Cajon	11,000	SF	$1.75	26,000	SF	N/A
1032 Broadway	El Cajon	3,000	SF	$1.70	5,000	SF	N/A
353 E Park Ave	El Cajon	5,353	SF	$1.60	8,438	SF	N/A
178 E Main St	El Cajon	2,400	SF	$1.50	4,500	SF	N/A
269 E Lexington	El Cajon	2,740	SF	$1.50	9,300	SF	N/A
330 S Magnolia Ave	El Cajon	5,080	SF	$1.50	10,800	SF	1985
490 N Magnolia Ave	El Cajon	7,168	SF	$1.50	7,168	SF	1965
1130 Broadway	El Cajon	2,800	SF	$1.43	2,800	SF	N/A
1161 E Main St	El Cajon	1,200	SF	$1.35	1,200	SF	N/A
131 E Main St	El Cajon	6,500	SF	$1.35	42,000	SF	N/A
505 N Mollison Ave	El Cajon	3,000	SF	$1.35	9,000	SF	N/A
8770 Cuyamaca St	Santee	2,180	SF	$1.35	6,610	SF	1973
10201 Mission Gorge Rd	Santee	3,829	SF	$1.32	31,000	SF	N/A
1333 E Madison	El Cajon	2,493	SF	$1.30	18,249	SF	1985
1234-1240 Broadway	El Cajon	2,590	SF	$1.25	23,170	SF	N/A
1483 N Second	El Cajon	2,400	SF	$1.25	5,000	SF	N/A
1522-1524 Graves Ave	El Cajon	1,623	SF	$1.25	8,093	SF	N/A
1625 E Main St	El Cajon	2,882	SF	$1.25	18,765	SF	1983
833 Broadway	El Cajon	5,000	SF	$1.25	10,400	SF	N/A
8772 Cuyamaca St	Santee	8,250	SF	$1.25	8,250	SF	1980
9320 Willowgrove	Santee	3,169	SF	$1.25	12,000	SF	N/A
972-976 E Broadway	El Cajon	5,000	SF	$1.20	5,000	SF	1972
10765 Woodside Ave	Santee	2,300	SF	$1.19	6,000	SF	1980
513 Bradley Ave	El Cajon	860	SF	$1.00	18,494	SF	N/A
11316 N Woodside Ave	Santee	1,050	SF	$0.93	1,050	SF	N/A
11487 Woodside Ave	Santee	42,414	SF	$0.85	42,414	SF	1971
11653 Riverside Dr	Lakeside	6,336	SF	$0.65	9,018	SF	N/A
	Minimum	860	SF	$0.65	1,050	SF	1965
	Maximum	42,414	SF	$2.50	58,588	SF	2007
	Median	2,941	SF	$1.35	8,344	SF	1980
	Average	5,586	SF	$1.42	13,379	SF	1982

(1) Survey represents the cities of El Cajon, Lakeside, and Santee.

Source: Loopnet.com
Prepared by: Keyser Marston Associates, Inc.
Filename i: County\Edgemoor feasibility analysis.xls\5/16/2008;hrm

TABLE 5

OFFICE BUILDING SALES, CITIES OF EL CAJON AND SANTEE, JANUARY 2005 TO PRESENT (1)
EDGEMOOR FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO

					Building Area		Cap	Year		
Sale Date	Address	City	Sale Price	Acres	SF	$/SF	Rate	Built	Class	Property Description
12/08/06	101 Civic Center Dr	Santee	$19,900,000	9.0	77,000	$258	N/A	2003	B	The Hartford Financial Building
11/28/06	1191-1195 E Broadway	El Cajon	$575,000	0.2	1,064	$540	N/A	1938	C	Ranch & Sea Realty office building
02/05/08	Civic Center Dr	Santee	$411,272	3.9	1,825	$225	N/A	2008	B	Phase II, Building A office condominium
06/07/06	9560 Cuyamaca St	Santee	$590,000	N/A	2,200	$268	N/A	2005	B	Office condominium - Building 5
11/22/05	9550 Cuyamaca St	Santee	$976,500	N/A	3,800	$257	N/A	2005	B	Office condominium - Building 4
12/20/06	9510 Cuyamaca St	Santee	$320,000	N/A	2,230	$143	N/A	2005	B	Office condominium - Building 2
10/07/05	9510 Cuyamaca St	Santee	$767,500	N/A	2,230	$344	N/A	2005	B	Office condominium - Building 2
08/24/07	9500 Cuyamaca St	Santee	$275,000	N/A	1,115	$247	N/A	2004	B	Office condominium - Building 1
04/26/07	505 N Mollison Ave	El Cajon	$290,000	0.4	1,500	$193	N/A	1964	C	Office condominium
04/04/07	411 S Magnolia Ave	El Cajon	$540,000	0.2	1,800	$300	N/A	1966	C	Office building
02/21/07	1130 Broadway	El Cajon	$695,000	0.3	2,800	$248	N/A	1981	C	Office building
12/22/06	180 Rea Ave	El Cajon	$841,988	0.1	4,558	$185	N/A	1963	C	Office building
11/17/06	101 Richfield Ave	El Cajon	$785,000	0.3	2,414	$325	N/A	1979	C	Office building
07/05/06	180 Rea Ave	El Cajon	$810,000	0.1	4,558	$178	N/A	1963	C	Office building
05/02/06	8774 Cottonwood Ave	Santee	$1,300,000	0.9	8,399	$155	N/A	1994	C	Office building
11/01/05	833 Broadway	El Cajon	$1,825,000	0.5	9,200	$198	7.0%	1975	C	Office building
07/19/05	175 W Lexington Ave	El Cajon	$770,000	0.2	4,220	$182	N/A	1973	C	Office building
03/08/07	2614 Navajo Rd	El Cajon	$800,000	0.2	1,600	$500	N/A	1952	C	Granite Mortgage building
10/20/05	810 Jamacha Rd	El Cajon	$4,504,500	1.6	22,500	$200	N/A	1987	C	Granite Hills Professional Center
06/10/05	850-860 Jamacha Rd	El Cajon	$3,475,000	1.4	18,591	$187	6.0%	1990	C	Granite Hills Professional Center
		Minimum	$275,000	0.1	1,064	$143	6.0%	1938		
		Maximum	$19,900,000	9.0	77,000	$540	7.0%	2008		
		Median	$777,500	0.3	2,607	$236	6.5%	1984		
		Average	$2,022,588	1.3	8,680	$257	6.5%	1983		

(1) Excludes medical office buildings.

Source: CoStar Comps., Inc.
Prepared by: Keyser Marston Associates, Inc.
Filename: County\Edgemoor feasibility analysis.xls\5/16/2008; ema

TABLE 6

MEDICAL OFFICE BUILDING SALES, CITIES OF EL CAJON AND SANTEE, JANUARY 2005 TO PRESENT
EDGEMOOR FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO

					Building Area		Cap	Year	Building	
Sale Date	Address	City	Sale Price	Acres	SF	$/SF	Rate	Built	Class	Property Description
11/20/07	1625 E Main St	El Cajon	$3,050,000	1.0	18,765	$163	6.5%	1983	C	Medical building
07/11/07	607-629 Aldwych Rd	El Cajon	$785,000	0.3	3,500	$224	N/A	1972	C	Medical building
11/07/06	8774 Cuyamaca St	Santee	$1,000,000	0.3	3,718	$269	6.7%	1972	C	Santee Medical and Professional Center
09/07/06	1357 Broadway	El Cajon	$825,000	0.3	4,800	$172	6.4%	1991	C	Medical building
05/02/06	850-860 Jamacha Rd	El Cajon	$3,825,000	1.4	18,591	$206	N/A	1990	C	Medical building
04/26/06	1351-1353 Broadway	El Cajon	$750,000	0.3	3,705	$202	N/A	1928	C	Medical building
04/20/06	1685 E Main St	El Cajon	$2,500,000	0.6	12,534	$199	6.9%	1983	C	Medical building
01/03/06	1460 E Main St	El Cajon	$3,150,000	0.9	14,860	$212	6.8%	1990	C	Medical building
06/14/05	8772 Cuyamaca St	Santee	$825,000	N/A	7,911	$104	N/A	1972	C	Santee Medical and Professional Center
03/16/05	8770 Cuyamaca St	Santee	$1,000,000	0.5	6,945	$144	7.5%	1972	B	Santee Medical and Professional Center
02/14/05	8760 Cuyamaca St	Santee	$3,900,000	1.4	24,891	$157	7.0%	1972	B	Santee Medical and Professional Center
01/14/05	275 W Madison Ave	El Cajon	$900,000	0.4	5,029	$179	N/A	1969	C	Medical building
		Minimum	$750,000	0.3	3,500	$104	6.4%	1928		
		Maximum	$3,900,000	1.4	24,891	$269	7.5%	1991		
		Median	$1,000,000	0.5	7,428	$189	6.8%	1972		
		Average	$1,875,833	0.7	10,437	$186	6.8%	1975		

Source: CoStar Comps., Inc.
Prepared by: Keyser Marston Associates, Inc.
Filename: County\Edgemoor feasibility analysis.xls\5/16/2008; ema

TABLE 7

ASKING INDUSTRIAL LEASE RATES (1)
EDGEMOOR FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO

Property Address	City	Available Space		Rent Per SF/Month	Building Size		Year Built
9217 Security Way	Santee	2,000	SF	$1.25	6,892	SF	1972
1503 Magnolia Ave	El Cajon	2,016	SF	$1.10	3,674	SF	N/A
9565 Pathway St	Santee	2,245	SF	$1.02	17,000	SF	1988
8745 N Magnolia Ave	Santee	18,500	SF	$1.00	18,500	SF	N/A
12038 Woodside Ave	Lakeside	1,524	SF	$1.00	1,524	SF	N/A
689 Vernon Way	El Cajon	4,000	SF	$1.00	4,000	SF	N/A
1001-1069 Vernon Way	El Cajon	1,000	SF	$1.00	18,000	SF	1977
1985 Friendship Dr	El Cajon	1,750	SF	$0.98	17,520	SF	N/A
8400-8406 Magnolia Ave	Santee	5,830	SF	$0.98	70,538	SF	1973
340-380 Vernon Way	El Cajon	3,650	SF	$0.97	59,200	SF	N/A
1954 Friendship Dr	El Cajon	5,228	SF	$0.95	18,000	SF	N/A
750 Vernon Way	El Cajon	30,152	SF	$0.95	60,926	SF	2001
1100-1148 Pioneer Way	El Cajon	6,000	SF	$0.93	43,000	SF	N/A
11421 Woodside Ave	Santee	3,200	SF	$0.90	10,000	SF	1980
1365 N Johnson Ave	El Cajon	1,922	SF	$0.90	51,443	SF	N/A
1444-1488 Pioneer Way	El Cajon	25,062	SF	$0.90	110,000	SF	1974
1677 N Marshall	El Cajon	11,060	SF	$0.89	17,680	SF	N/A
11487 Woodside Ave	Santee	41,424	SF	$0.85	42,414	SF	1971
11423 Woodside Ave	Santee	4,900	SF	$0.85	15,000	SF	N/A
727-747 West Main St	El Cajon	8,800	SF	$0.85	14,100	SF	1959
11322 N Woodside Ave	Santee	100,000	SF	$0.75	100,000	SF	2007
130-180 Denny Way	El Cajon	4,200	SF	$0.75	29,956	SF	1978
	Minimum	1,000	SF	$0.75	1,524	SF	1959
	Maximum	100,000	SF	$1.25	110,000	SF	2007
	Median	4,550	SF	$0.95	18,000	SF	1977
	Average	12,930	SF	$0.94	33,153	SF	1980

(1) Survey represents the cities of El Cajon, Lakeside, and Santee.

Source: Loopnet.com
Prepared by: Keyser Marston Associates, Inc.
Filename i: County\Edgemoor feasibility analysis.xls\5/16/2008;hrm

TABLE 8

INDUSTRIAL BUILDING SALES, CITY OF SANTEE, JANUARY 2005 TO PRESENT (1)
EDGEMOOR FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO

				Building Area		Year	
Sale Date	Address	Sale Price	Acres	SF	$/SF	Built	Property Description
12/27/07	10611 Prospect Ave	$825,000	0.4	6,200	$133	N/A	Class B Manufacturing Building
11/30/07	9330 Stevens Rd	$2,330,000	0.6	11,660	$200	1987	Class B Manufacturing Building
09/04/07	9217-9221 Security Way	$640,000	0.3	6,892	$93	1980	Class C Warehouse Building
08/24/07	9343 Wheatlands Rd	$4,325,000	N/A	21,306	$203	N/A	Class B Warehouse Building
08/17/07	9941 Prospect Ave	$531,000	0.3	1,596	$333	N/A	Class C Industrial Building
07/17/07	9353 Abraham Way	$1,900,000	0.8	14,617	$130	1980	Class B Warehouse Building
05/24/07	9484 Mission Park Pl	$3,200,000	2.8	34,412	$93	1971	Class C Manufacturing Building
04/11/07	10346-10354 Buena Vista Ave	$9,700,000	1.7	78,500	$124	2006	Class B Self-Storage Building
02/07/07	10806 Prospect Ave	$3,415,000	1.4	22,000	$155	1980	Class C Warehouse Building
07/19/06	8625 Argent St	$1,550,000	0.5	7,200	$215	1988	Class B Warehouse Building
07/03/06	9335 Stevens Rd	$2,200,000	0.9	14,821	$148	1971	Class C Warehouse Building
06/14/06	9330 Stevens Rd	$2,150,000	0.6	11,660	$184	1987	Class B Manufacturing Building
05/11/06	8614-8622 Siesta Rd	$1,015,000	0.5	2,400	$423	N/A	Class C Warehouse Building
01/12/06	8526 Bracs Dr	$500,000	0.2	6,000	$83	N/A	Class C Warehouse Building
12/22/06	10051 Prospect Ave	$2,100,000	1.0	4,856	$432	1960	Class C Warehouse Building
08/30/05	9489 Mission Park Pl	$2,100,000	0.9	20,140	$104	1963	Class C Warehouse Building
07/26/05	10115 Mission Gorge Rd	$10,456,000	3.1	83,050	$126	1977	Part of a Bulk Portfolio
03/04/05	1009-10013 Prospect Ave	$2,150,000	1.1	14,000	$154	1979	Class B Service Building
02/17/05	9323 Stevens Rd	$1,586,500	0.8	13,200	$120	1986	Class B Warehouse Building
	Minimum	$500,000	0.2	1,596	$83	1960	
	Maximum	$10,456,000	3.1	83,050	$432	2006	
	Median	$2,100,000	0.8	13,200	$148	1980	
	Average	$2,772,289	1.0	19,711	$182	1980	

Source: CoStar Comps., Inc.
Prepared by: Keyser Marston Associates, Inc.
Filename: County\Edgemoor feasibility analysis.xls\5/16/2008; ema

TABLE 9

INDUSTRIAL LAND SALES, JANUARY 2005 TO PRESENT (1)
EDGEMOOR FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO

				Land Area			
Sale Date	**Address**	**City**	**Sale Price**	**Acres**	**SF**	**$/SF**	**Intended Use**
11/30/07	10176 Riverford Rd	Lakeside	$2,200,000	2.0	88,862	$24.76	Commercial, Industrial, Contractor Storage Yard
06/20/07	Vigilante Rd @ State Highway 67	Lakeside	$1,075,000	1.1	45,738	$23.50	Unknown
04/05/07	Wheatlands Ave @ N. Woodside Ave	Santee	$841,500	1.0	45,302	$18.58	Industrial
01/07/07	12535 Vigilante Rd	Lakeside	$4,606,500	4.7	204,732	$22.50	Office
07/18/05	Cottonwood Ave	Santee	$650,000	0.9	40,946	$15.87	Industrial
05/06/05	15275 Olde Hwy 80	El Cajon	$2,660,000	6.1	266,152	$9.99	Hold for development
		Minimum	$650,000	0.9	40,946	$9.99	
		Maximum	$4,606,500	6.1	266,152	$24.76	
		Median	$1,637,500	1.5	67,300	$20.54	
		Average	$2,005,500	2.6	115,289	$19.20	

(1) Survey includes the cities of El Cajon, Lakeside, and Santee.

Source: CoStar Comps., Inc.
Prepared by: Keyser Marston Associates, Inc.
Filename: County\Edgemoor feasibility analysis.xls\5/16/2008; ema

TABLE 10

APARTMENT MARKET RENTS, CITY OF SANTEE (1)
EDGEMOOR FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO

		Average Rents by Bedroom Type									
		One-Bedroom			Two-Bedroom			Three-Bedroom			
Complex	Address	Unit SF	Monthly Rent	Rent/SF	Unit SF	Monthly Rent	Rent/SF	Unit SF	Monthly Rent	Rent/SF	Number of Units
Carlton Heights Villas	9705 Carlton Hills Blvd.	560	$925	$1.65	860	$1,155	$1.34	N/A	N/A	N/A	70
Fanita Meadows	9055 Prospect Avenue	670	$1,010	$1.51	950	$1,275	$1.34	1,245	$1,600	$1.29	N/A
Fletcher Valley Apartments	8328 Fanita Drive	600	$920	$1.53	N/A	N/A	N/A	N/A	N/A	N/A	72
Greystone Ridge Townhomes	8777 Graves Avenue	N/A	N/A	N/A	990	$1,280	$1.29	1,220	$1,350	$1.11	N/A
Mission Villa	9525 Mission Gorge Road	676	$830	$1.23	832	$1,035	$1.24	970	$1,350	$1.39	96
Oakridge Apartments	9621-9661 Carlton Hills Blvd.	N/A	N/A	N/A	N/A	N/A	N/A	1,200	$1,350	$1.13	48
Santee Villas	10445 Mast Blvd.	700	$1,050	$1.50	900	$1,325	$1.47	N/A	N/A	N/A	256
Sunridge Apartments	8729 Graves Avenue	575	$990	$1.72	800	$1,115	$1.39	N/A	N/A	N/A	160
Sunset Trails	8655 Graves Avenue	489	$870	$1.78	667	$1,005	$1.51	N/A	N/A	N/A	132
The Arbors	9700 Magnolia Park Drive	N/A	N/A	N/A	1,013	$1,391	$1.37	1,090	$1,740	$1.60	214
The Sycamores Apartments	9249 Carlton Oaks Drive	630	$925	$1.47	1,030	$1,200	$1.17	N/A	N/A	N/A	80
	Minimum	489	$830	$1.23	667	$1,005	$1.17	970	$1,350	$1.11	48
	Maximum	700	$1,050	$1.78	1,030	$1,391	$1.51	1,245	$1,740	$1.60	256
	Median	615	$925	$1.52	900	$1,200	$1.34	1,200	$1,350	$1.29	96
	Average	613	$940	$1.55	894	$1,198	$1.35	1,145	$1,478	$1.30	125

(1) As of March 2008.

Source: www.rent.com, www.forrent.com, www.move.com
Prepared by: Keyser Marston Associates, Inc.
Filename: County\Edgemoor feasibility analysis.xls\5/16/2008;ema

TABLE 11

MULTI-FAMILY RESIDENTIAL LAND SALES, JANUARY 2005 TO PRESENT (1)
EDGEMOOR FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO

				Land Area				
Sale Date	Address	City	Sale Price	Acres	SF	$/SF	Land Improvements	Intended Use
09/25/07	11015 Sunset Trail	Santee	$1,350,000	10.00	435,600	$3.10	Raw land	Senior retirement complex
08/21/07	933 Vista Grande Rd.	El Cajon	$5,300,000	28.00	1,219,680	$4.35	N/A	Hold for investment
07/31/07	Rancho Fanita Dr., S. of Mission Gorge Rd.	Santee	$2,700,000	43.33	1,887,455	$1.43	N/A	Multi-family planned unit development
07/05/07	15229 Olde Highway 80	El Cajon	$840,000	0.43	18,900	$44.44	N/A	Hold for development
11/07/05	Grossmont College Dr. , S. of Fanita Dr.	El Cajon	$5,250,000	6.37	277,477	$18.92	N/A	Hold for development
10/17/05	Mast Blvd., Off SR-52	Santee	$1,500,000	5.52	240,451	$6.24	N/A	Hold for development
04/19/05	Marilla Dr., S. of Woodside Ave.	Lakeside	$18,200,000	5.92	257,875	$70.58	N/A	114-unit condominium development
04/04/05	230 S. Sunshine Ave.	El Cajon	$2,050,000	1.07	46,609	$43.98	Asphalt paved lot	Hold for development
12/12/05	SEC Palm and Allison Ave.	La Mesa	$2,450,000	4.93	214,754	$11.41	Previously developed	Apartment development
		Minimum	$840,000	0.43	18,900	$1.43		
		Maximum	$18,200,000	43.33	1,887,455	$70.58		
		Median	$2,450,000	5.92	257,875	$11.41		
		Average	$4,404,444	11.73	510,978	$22.72		

(1) Survey represents areas within East San Diego County.

Source: CoStar Comps., Inc.
Prepared by: Keyser Marston Associates, Inc.
Filename: County\Edgemoor feasibility analysis.xls\5/16/2008; ema

TABLE 12

PROJECT DESCRIPTION
EDGEMOOR FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO

I.	**Site Area**	1,143,450	SF
		26.3	Acres
II.	**Gross Building Area (GBA)** (1)		
	A. Buildings to be Retained and Rehabilitated		
	Building 2	7,684	SF
	Building 3	4,635	SF
	Building 4	1,296	SF
	Building 6	4,252	SF
	Building 7	4,547	SF
	Building 8	4,165	SF
	Building 9	4,547	SF
	Building 12	2,550	SF
	Building 14	3,612	SF
	Building 15	2,549	SF
	Building 18	14,182	SF
	Total Buildings to be Retained and Rehabilitated	54,019	SF
	B. Buildings to be Demolished		
	Building 1	3,290	SF
	Building 5	801	SF
	Building 11	846	SF
	Building 13	18,280	SF
	Building 16	10,458	SF
	Building 17	31,570	SF
	Building 19	13,966	SF
	Building 20	3,000	SF
	Building 26	144	SF
	Building 27	144	SF
	Total Buildings to be Demolished	82,499	SF
III.	**Parking**		
	Parking Type	Surface	
	Parking Ratio	3.0	Spaces/1,000 SF
	Number of Parking Spaces	162	Spaces
	Average SF/Space	350	SF/Space
	Total Parking Area	56,720	SF

(1) Buildings 21 through 25 are structures that are not viable for adaptive reuse due to their size and complex configuration, and are excluded from this analysis.

Prepared by: Keyser Marston Associates, Inc.
Filename:Edgemoor feasibility analysis.xls;5/16/2008; ema

TABLE 13

ESTIMATE OF REHABILITATION COSTS
EDGEMOOR FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO

	Totals	Comments	
I. Direct Costs			
Off-Sites	$1,143,000	$1	Per SF Site Area
On-Sites/Landscaping	$1,143,000	$1	Per SF Site Area
Site Infrastructure (1)	$299,800	$0	Per SF Site Area
Demolition (1)	$990,000	$12	Per SF GBA - Buildings to be Demolished
Parking - Surface	$243,000	$1,500	Per Space - Surface
Rehabilitation Costs (1)	$13,417,462	$248	Per SF GBA - Retained and Rehabbed
Tenant Improvements	$1,350,000	$25	Per SF GBA - Retained and Rehabbed
Contingency (1)	$2,386,802	12.8%	of Directs
Subtotal Direct Costs	$20,973,065		
II. Indirect Costs			
Architecture & Engineering (1)	$3,251,536	15.5%	of Directs
Permits & Fees (1)	$207,509	$4	Per SF GBA - Retained and Rehabbed
Legal and Accounting	$392,000	2.0%	of Directs - Excl. Tenant Improvements
Taxes and Insurance	$392,000	2.0%	of Directs - Excl. Tenant Improvements
Developer Fee	$1,049,000	5.0%	of Directs
Marketing/Lease-Up	$540,000	$10	Per SF GBA - Retained and Rehabbed
Subtotal Indirect Costs	$5,832,045		
III. Financing Costs			
Subtotal Financing Costs	$2,097,000	10.0%	of Directs
IV. Project Contingency			
Subtotal Project Contingency (1)	$2,175,786	10.4%	of Directs
V. Total Rehabilitation Costs	**$31,077,896**		
Or Say (Rounded)	**$31,078,000**		

(1) Based on cost estimates as provided in Waller Consulting Edgemoor Geriatric Hospital Adaptive Re-Use Study.

TABLE 14

ESTIMATE OF NET OPERATING INCOME
EDGEMOOR FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO

	Rentable SF	Rent/SF/Month	Annual GSI
I. Net Operating Income			
Total Gross Scheduled Income	54,019 SF	$1.50 /SF NNN	$972,000
(Less) Vacancy		10.0% of GSI	($97,000)
Effective Gross Income (EGI)			$875,000
(Less) Unreimbursed Operating Expenses @		5.0% of EGI	($44,000)
II. Net Operating Income (NOI)			**$831,000**
III. Capitalized Value of Rental Income @		**7.5%**	**$11,080,000**

TABLE 15

ESTIMATE OF RESIDUAL LAND VALUE
EDGEMOOR FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO

I.	**Capitalized Value of NOI**			$11,080,000
	(Less) Cost of Sale	3.0%	of Value	($332,000)
	(Less) Developer Profit	15.0%	of Costs	($4,662,000)
II.	**Supportable Investment**			$6,086,000
	(Less) Total Rehabilitation Costs			($31,078,000)
III.	**Residual Land Value**			**($24,992,000)**
	Per SF Site Area			**($22)**

TABLE 16

PROJECT DESCRIPTION
EDGEMOOR FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO

I. Site Area	1,143,450	SF
	26.3	Acres
II. Gross Building Area (GBA) (1)		
A. Buildings to be Retained and Rehabilitated		
Building 2	7,684	SF
Building 3	4,635	SF
Building 4	1,296	SF
Building 6	4,252	SF
Building 7	4,547	SF
Building 8	4,165	SF
Building 9	4,547	SF
Building 12	2,550	SF
Building 14	3,612	SF
Building 15	2,549	SF
Building 18	14,182	SF
Total Buildings to be Retained and Rehabilitated	54,019	SF
B. Buildings to be Demolished		
Building 1	3,290	SF
Building 5	801	SF
Building 11	846	SF
Building 13	18,280	SF
Building 16	10,458	SF
Building 17	31,570	SF
Building 19	13,966	SF
Building 20	3,000	SF
Building 26	144	SF
Building 27	144	SF
Total Buildings to be Demolished	82,499	SF
III. Parking		
Parking Type	Surface	
Parking Ratio	3.0	Spaces/1,000 SF
Number of Parking Spaces	162	Spaces
Average SF/Space	350	SF/Space
Total Parking Area	56,720	SF

(1) Buildings 21 through 25 are structures that are not viable for adaptive reuse due to their size and complex configuration, and are excluded from this analysis.

Prepared by: Keyser Marston Associates, Inc.
Filename:Edgemoor feasibility analysis.xls;5/16/2008; ema

TABLE 17

ESTIMATE OF REHABILITATION COSTS
EDGEMOOR FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO

	Totals		Comments
I. Direct Costs			
Off-Sites	$1,143,000	$1	Per SF Site Area
On-Sites/Landscaping	$1,143,000	$1	Per SF Site Area
Site Infrastructure (1)	$299,800	$0	Per SF Site Area
Demolition (1)	$990,000	$12	Per SF GBA - Buildings to be Demolished
Parking - Surface	$243,000	$1,500	Per Space - Surface
Rehabilitation Costs (1)	$13,417,462	$248	Per SF GBA - Retained and Rehabbed
Tenant Improvements	$2,161,000	$40	Per SF GBA - Retained and Rehabbed
Contingency (1)	$2,386,802	12.3%	of Directs
Subtotal Direct Costs	$21,784,065		
II. Indirect Costs			
Architecture & Engineering (1)	$3,251,536	14.9%	of Directs
Permits & Fees (1)	$207,509	$4	Per SF GBA - Retained and Rehabbed
Legal and Accounting	$392,000	2.0%	of Directs - Excl. Tenant Improvements
Taxes and Insurance	$392,000	2.0%	of Directs - Excl. Tenant Improvements
Developer Fee	$1,089,000	5.0%	of Directs
Marketing/Lease-Up	$648,000	$12	Per SF GBA - Retained and Rehabbed
Subtotal Indirect Costs	$5,980,045		
III. Financing Costs			
Subtotal Financing Costs	$2,178,000	10.0%	of Directs
IV. Project Contingency			
Subtotal Project Contingency (1)	$2,175,786	10.0%	of Directs
V. Total Rehabilitation Costs	**$32,117,896**		
Or Say (Rounded)	**$32,118,000**		

(1) Based on cost estimates as provided in Waller Consulting Edgemoor Geriatric Hospital Adaptive Re-Use Study.

Prepared by: Keyser Marston Associates, Inc.
Filename:Edgemoor feasibility analysis.xls;5/16/2008; ema

TABLE 18

ESTIMATE OF NET OPERATING INCOME
EDGEMOOR FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO

	Rentable SF		Rent/SF/Month		Annual GSI
I. Net Operating Income					
Boutique Retail Space	27,010	SF	$2.00	/SF NNN	$648,000
Restaurant Space	13,505	SF	$1.75	/SF NNN	$284,000
Service-Commercial Space	13,505	SF	$1.75	/SF NNN	$284,000
Total Gross Scheduled Income	54,019	SF	$1.88		$1,216,000
(Less) Vacancy			10.0%	of GSI	($122,000)
Effective Gross Income (EGI)					$1,094,000
(Less) Unreimbursed Operating Expenses @			5.0%	of EGI	($55,000)
II. Net Operating Income (NOI)					**$1,039,000**
III. Capitalized Value of Retail Rental Income @			**7.0%**		**$14,843,000**

TABLE 19

ESTIMATE OF RESIDUAL LAND VALUE
EDGEMOOR FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO

I.	**Capitalized Value of NOI**			$14,843,000
	(Less) Cost of Sale	3.0%	of Value	($445,000)
	(Less) Developer Profit	15.0%	of Costs	($4,818,000)
II.	**Supportable Investment**			$9,580,000
	(Less) Total Rehabilitation Costs			($32,118,000)
III.	**Residual Land Value**			**($22,538,000)**
	Per SF Site Area			**($20)**

Prepared by: Keyser Marston Associates, Inc.
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TABLE 20

PROJECT DESCRIPTION - EXISTING BUILDINGS
EDGEMOOR FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO

I. Site Area

Site Area Occupying Rehabilitated and Retained/Relocated Buildings	288,450	SF
Site Area Available for New Development	855,000	SF
Total Site Area	1,143,450	SF or
	26.3	Acres

II. Gross Building Area (GBA)

A. Buildings to be Retained and Rehabilitated		
Building 7	4,547	SF
Building 8	4,165	SF
Building 9	4,547	SF
Building 12	2,550	SF
Subtotal Buildings to be Retained and Rehabilitated	15,809	SF
B. Buildings to be Relocated and Rehabilitated		
Building 2	7,684	SF
Building 3	4,635	SF
Building 6	4,252	SF
Building 14	3,612	SF
Building 15	2,549	SF
Subtotal Buildings to be Relocated and Rehabilitated	22,732	SF
C. Total Buildings to be Rehabilitated, Retained and/or Relocated	38,541	SF
D. Buildings to be Demolished		
Building 1	3,290	SF
Building 4	1,296	SF
Building 5	801	SF
Building 11	846	SF
Building 13	18,280	SF
Building 16	10,458	SF
Building 17	31,570	SF
Building 18	14,182	SF
Building 19	13,966	SF
Building 20	3,000	SF
Building 21	1,827	SF
Building 22	1,827	SF
Building 23	1,827	SF
Building 24	1,827	SF
Building 25	491	SF
Building 26	144	SF
Building 27	144	SF
Total Buildings to be Demolished	105,776	SF

III. Parking

Parking Type	Surface	
Parking Ratio	3.0	Spaces/1,000 SF
Number of Parking Spaces	116	Spaces
Average SF/Space	350	SF/Space
Total Parking Area	40,468	SF

TABLE 21

PROJECT DESCRIPTION - NEW OFFICE/R&D DEVELOPMENT
EDGEMOOR FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO

I. Site Area

Site Area Available for New Development	855,000	SF or	
	19.6	Acres	

II. Product Type

Floor Area Ratio (FAR)	0.40		
Construction Type	Type V		
Number of Stories	1 to 2	Stories	

III. Gross Building Area (GBA)

Office/R&D Space			
Net Rentable Area	290,700	SF	85.0%
Common Area	51,300	SF	15.0%
Total Office/R&D Space	342,000	SF	100.0%

IV. Parking

Parking Type	Surface		
Parking Ratio	4.0	Spaces/1,000 SF	
Number of Parking Spaces	1,368	Spaces	
Average SF/Space	350	SF/Space	
Total Parking Area	478,800	SF	

TABLE 22

ESTIMATE OF REHABILITATION AND NEW DEVELOPMENT COSTS
EDGEMOOR FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO

	Rehabilitation/Relocation of Existing Buildings			New Office/R&D Development			Totals
	Totals		Comments	Totals		Comments	
I. Direct Costs							
Off-Sites	$288,000	$1	Per SF Site Area - Occupying Restored Buildings	$855,000	$1	Per SF Site Area	$1,143,000
On-Sites/Landscaping	$288,000	$1	Per SF Site Area - Occupying Restored Buildings	$855,000	$1	Per SF Site Area	$1,143,000
Site Infrastructure (1)	$188,716	$1	Per SF Site Area	$0		Included above	$188,716
Demolition (1)	$1,269,000	$12	Per SF GBA - Buildings to be Demolished	$0		Does not apply	$1,269,000
Parking - Surface	$347,000	$3,000	Per Space - Surface	$4,104,000	$3,000	Per Space - Surface	$4,451,000
Rehabilitation Costs (1)	$10,268,830	$266	Per SF GBA - Rehabbed and Retained/Relocated	$0		Does not apply	$10,268,830
Relocation Costs (1)	$2,494,007	$110	Per SF GBA - Rehabbed and Relocated	$0		Does not apply	$2,494,007
New Construction Shell Costs	$0		Does not apply	$37,620,000	$110	Per SF GBA	$37,620,000
Tenant Improvements	$1,156,000	$30	Per SF GBA - Rehabbed and Retained/Relocated	$7,268,000	$25	Per Net SF	$8,424,000
Contingency	$1,819,611	11.2%	of Directs (1)	$5,070,000	10.0%	of Directs (1)	$6,889,611
Subtotal Direct Costs	$18,119,165			$55,772,000			$73,891,165
II. Indirect Costs							
Architecture & Engineering	$2,478,853	13.7%	of Directs (1)	$2,789,000	5.0%	of Directs	$5,267,853
Permits & Fees (1)	$158,197	$4	Per SF GBA - Rehabbed and Retained/Relocated	$1,404,000	$4	Per SF GBA	$1,562,197
Legal and Accounting	$339,000	2.0%	of Directs - Excl. Tenant Improvements	$728,000	1.5%	of Directs - Excl. Tenant Improvements	$1,067,000
Taxes and Insurance	$339,000	2.0%	of Directs - Excl. Tenant Improvements	$728,000	1.5%	of Directs - Excl. Tenant Improvements	$1,067,000
Developer Fee	$906,000	5.0%	of Directs	$2,231,000	4.0%	of Directs	$3,137,000
Marketing/Lease-Up	$462,000	$12	Per SF GBA - Rehabbed and Retained/Relocated	$2,326,000	$8	Per Net SF	$2,788,000
Subtotal Indirect Costs	$4,683,051			$10,206,000			$14,889,051
III. Financing Costs							
Subtotal Financing Costs	$1,812,000	10.0%	of Directs	$4,462,000	8.0%	of Directs	$6,274,000
IV. Project Contingency							
Subtotal Project Contingency (1)	$1,658,741	9.2%	of Directs	$0		Included above	$1,658,741
V. Total Rehabilitation/Development Costs	**$26,272,957**			**$70,440,000**			**$96,712,957**
Or Say (Rounded)	**$26,273,000**			**$70,440,000**			**$96,713,000**

(1) Based on cost estimates as provided in Waller Consulting Edgemoor Geriatric Hospital Adaptive Re-Use Study.

Prepared by: Keyser Marston Associates, Inc.
Filename:Edgemoor feasibility analysis.xls;5/16/2008; ema

TABLE 23

ESTIMATE OF NET OPERATING INCOME
EDGEMOOR FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO

	Rehabilitation/Relocation of Existing Buildings			New Office/R&D Development		
	Rentable SF	**Rent/SF/Month**	**Annual GSI**	**Rentable SF**	**Rent/SF/Month**	**Annual GSI**
I. Net Operating Income						
Total Gross Scheduled Income	38,541 SF	$1.50 /SF/NNN	$694,000	290,700 SF	$1.75 /SF/NNN	$6,105,000
(Less) Vacancy		10.0% of GSI	($69,000)		5.0% of GSI	($305,000)
Effective Gross Income (EGI)			$625,000			$5,800,000
(Less) Unreimbursed Operating Expenses @		5.0% of EGI	($31,000)		3.0% of EGI	($174,000)
II. Net Operating Income (NOI)			**$594,000**			**$5,626,000**
III. Capitalized Value of Rental Income @		**7.5%**	**$7,920,000**		**6.5%**	**$86,554,000**

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TABLE 24

ESTIMATE OF RESIDUAL LAND VALUE
EDGEMOOR FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO

		Rehabilitation/Relocation of Existing Buildings		New Office/R&D Development		Totals
I.	**Capitalized Value of NOI**		$7,920,000		$86,554,000	$94,474,000
	(Less) Cost of Sale	3.0% of Value	($238,000)	3.0% of Value	($2,597,000)	($2,835,000)
	(Less) Developer Profit	15.0% of Costs	($3,941,000)	10.0% of Value	($8,655,000)	($12,596,000)
II.	**Supportable Investment**		$3,741,000		$75,302,000	$79,043,000
	(Less) Total Rehabilitation/Development Costs		($26,273,000)		($70,440,000)	($96,713,000)
III.	**Residual Land Value**		**($22,532,000)**		**$4,862,000**	**($17,670,000)**
	Per SF Site Area		**($20)**		**$6**	**($15)**

Prepared by: Keyser Marston Associates, Inc.
Filename:Edgemoor feasibility analysis.xls;5/16/2008; ema

TABLE 25

PROJECT DESCRIPTION - EXISTING BUILDINGS
EDGEMOOR FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO

I. Site Area		
Site Area Occupying Rehabilitated and Retained/Relocated Buildings	288,450	SF
Site Area Available for New Development	855,000	SF
Total Site Area	1,143,450	SF or
	26.3	Acres
II. Gross Building Area (GBA)		
A. Buildings to be Retained and Rehabilitated		
Building 7	4,547	SF
Building 8	4,165	SF
Building 9	4,547	SF
Building 12	2,550	SF
Subtotal Buildings to be Retained and Rehabilitated	15,809	SF
B. Buildings to be Relocated and Rehabilitated		
Building 2	7,684	SF
Building 3	4,635	SF
Building 6	4,252	SF
Building 14	3,612	SF
Building 15	2,549	SF
Subtotal Buildings to be Relocated and Rehabilitated	22,732	SF
C. Total Buildings to be Rehabilitated, Retained and/or Relocated	38,541	SF
D. Buildings to be Demolished		
Building 1	3,290	SF
Building 4	1,296	SF
Building 5	801	SF
Building 11	846	SF
Building 13	18,280	SF
Building 16	10,458	SF
Building 17	31,570	SF
Building 18	14,182	SF
Building 19	13,966	SF
Building 20	3,000	SF
Building 21	1,827	SF
Building 22	1,827	SF
Building 23	1,827	SF
Building 24	1,827	SF
Building 25	491	SF
Building 26	144	SF
Building 27	144	SF
Total Buildings to be Demolished	105,776	SF
III. Parking		
Parking Type	Surface	
Parking Ratio	3.0	Spaces/1,000 SF
Number of Parking Spaces	116	Spaces
Average SF/Space	350	SF/Space
Total Parking Area	40,468	SF

TABLE 26

PROJECT DESCRIPTION - NEW RESIDENTIAL MIXED-USE DEVELOPMENT
EDGEMOOR FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO

I. Site Area

Site Area Available for New Development	855,000	SF or		
	19.6	Acres		

II. Residential Apartment Component

Residential Product Type	Garden-style apartments			
Construction Type	Type V			
Number of Stories	2	Stories		
Residential Density (Units/Acre)	22.0	Units/Acre		
Total Unit Mix (1)				
One-Bedrooms	33	Units	700	SF
Two-Bedrooms	99	Units	1,000	SF
Total/Average	132	Units	925	SF
Residential Gross Building Area (GBA)				
Net Rentable Area	122,100	SF	95.0%	
Common Area	6,400	SF	5.0%	
Total Residential GBA	128,500	SF	100.0%	

III. Office Complex Component

Construction Type	Type V		
Number of Stories	2	Stories	
Floor Area Ratio (FAR)	0.40		
Office Complex			
Net Rentable Area	201,450	SF	85.0%
Common Area	35,550	SF	15.0%
Total Office/Light Industrial GBA	237,000	SF	100.0%

IV. Total Gross Building Area

Total Residential GBA	128,500	SF
Total Office/Light Industrial GBA	237,000	SF
Total Gross Building Area	365,500	SF

(1) Assumes residential apartments occupy 6 net acres.

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TABLE 26

PROJECT DESCRIPTION - NEW RESIDENTIAL MIXED-USE DEVELOPMENT
EDGEMOOR FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO

V. Parking

Parking Type	Surface	
Parking Ratio - Residential	1.8	Spaces/Unit
Parking Ratio - Office Complex	4.0	Spaces/1,000 SF
Number of Parking Spaces - Residential	231	Spaces
Number of Parking Spaces - Office Complex	948	Spaces
Total Number of Parking Spaces	1,179	Spaces
Average SF/Space	350	SF/Space
Total Parking Area	412,650	SF

(1) Assumes residential apartments occupy 6 net acres.

TABLE 27

ESTIMATE OF REHABILITATION AND NEW DEVELOPMENT COSTS
EDGEMOOR FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO

	Rehabilitation/Relocation of Existing Buildings			New Residential Mixed-Use Development			Totals
	Totals		**Comments**	**Totals**		**Comments**	
I. Direct Costs							
Off-Sites	$288,000	$1	Per SF Site Area - Occupying Restored Buildings	$855,000	$1	Per SF Site Area	$1,143,000
On-Sites/Landscaping	$288,000	$1	Per SF Site Area - Occupying Restored Buildings	$855,000	$1	Per SF Site Area	$1,143,000
Site Infrastructure (1)	$188,716	$0	Per SF Site Area	$0		Included above	$188,716
Demolition (1)	$1,269,000	$12	Per SF GBA - Buildings to be Demolished	$0		Does not apply	$1,269,000
Parking - Surface	$347,000	$3,000	Per Space - Surface	$3,537,000	$3,000	Per Space - Surface	$3,884,000
Rehabilitation Costs (1)	$10,268,830	$266	Per SF GBA - Rehabbed and Retained/Relocated	$0		Does not apply	$10,268,830
Relocation Costs (1)	$2,494,007	$110	Per SF GBA - Rehabbed and Relocated	$0		Does not apply	$2,494,007
New Construction Shell Costs	$0		Does not apply	$40,205,000	$110	Per SF GBA	$40,205,000
Tenant Improvements	$1,156,000	$30	Per SF GBA - Rehabbed and Retained/Relocated	$5,036,000	$25	Per Net SF - Office	$6,192,000
Residential Amenities	$0		Does not apply	$264,000	$2,000	Per Unit - Residential	$264,000
Contingency	$1,819,611	11.2%	of Directs (1)	$5,075,000	10.0%	of Directs	$6,894,611
Subtotal Direct Costs	$18,119,165			$55,827,000			$73,946,165
II. Indirect Costs							
Architecture & Engineering	$2,478,853	13.7%	of Directs (1)	$2,791,000	5.0%	of Directs	$5,269,853
Permits & Fees - Commercial (1)	$158,197	$4	Per SF GBA - Rehabbed and Retained/Relocated	$973,000	$4	Per SF GBA - Office	$1,131,197
Permits & Fees - Residential	$0		Does not apply	$1,980,000	$15,000	Per Unit - Residential	$1,980,000
Legal and Accounting	$339,000	2.0%	of Directs - Excl. Tenant Improvements	$762,000	1.5%	of Directs - Excl. Tenant Improvements	$1,101,000
Taxes and Insurance	$339,000	2.0%	of Directs - Excl. Tenant Improvements	$762,000	1.5%	of Directs - Excl. Tenant Improvements	$1,101,000
Developer Fee	$906,000	5.0%	of Directs	$2,233,000	4.0%	of Directs	$3,139,000
Marketing/Lease-Up	$462,000	$12	Per SF GBA - Rehabbed and Retained/Relocated	$2,924,000	$8	Per Net SF	$3,386,000
Subtotal Indirect Costs	$4,683,051			$12,425,000			$17,108,051
III. Financing Costs							
Subtotal Financing Costs	$1,812,000	10.0%	of Directs	$4,466,000	8.0%	of Directs	$6,278,000
IV. Project Contingency							
Subtotal Project Contingency (1)	$1,658,741	9.2%	of Directs	$0		Included above	$1,658,741
V. Total Rehabilitation/Development Costs	**$26,272,957**			**$72,718,000**			**$98,990,957**
Or Say (Rounded)	**$26,273,000**			**$72,718,000**			**$98,991,000**

(1) Based on cost estimates as provided in Waller Consulting Edgemoor Geriatric Hospital Adaptive Re-Use Study.

Prepared by: Keyser Marston Associates, Inc.
Filename:Edgemoor feasibility analysis.xls;5/16/2008; ema

TABLE 28

ESTIMATE OF NET OPERATING INCOME
EDGEMOOR FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO

	Rehabilitation/Relocation of Existing Buildings			New Office Complex Development		
	Rentable SF	**Rent/SF/Month**	**Annual GSI**	**Rentable SF**	**Rent/SF/Month**	**Annual GSI**
I. Net Operating Income						
Total Gross Scheduled Income	38,541 SF	$1.50 /SF/NNN	$694,000	201,450 SF	$1.75 /SF/NNN	$4,230,000
(Less) Vacancy		10.0% of GSI	($69,000)		5.0% of GSI	($212,000)
Effective Gross Income (EGI)			$625,000			$4,018,000
(Less) Unreimbursed Operating Expenses @		5.0% of EGI	($31,000)		3.0% of EGI	($121,000)
II. Net Operating Income (NOI)			**$594,000**			**$3,897,000**
III. Capitalized Value of Rental Income @		**7.5%**	**$7,920,000**		**6.5%**	**$59,954,000**

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TABLE 29

NET OPERATING INCOME - RENTAL RESIDENTIAL
EDGEMOOR FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO

		Average Unit Size	# of Units	$/Month	$/SF	Total Annual
I.	**Gross Scheduled Income**					
	One-Bedrooms	700 SF	33	$1,260	$1.80	$499,000
	Two-Bedrooms	1,000 SF	99	$1,700	$1.70	$2,020,000
	Total/Average	925 SF	132	$1,590	$1.72	$2,519,000
	Add: Other Income		$25	/Unit/Month		$40,000
	(Less) Vacancy @		3.0%	Residential Income		($76,000)
	Effective Gross Income (EGI)					$2,483,000
II.	**Operating Expenses**					
	(Less) Operating Expenses		$3,500	/Unit/Year		($462,000)
	(Less) Property Taxes/Assessments (1)		$2,326	/Unit/Year		($307,000)
	(Less) Replacement Reserves		$200	/Unit/Year		($26,000)
	Total Expenses		$6,023	/Unit/Year		($795,000)
			32.0%	of EGI		
III.	**Net Operating Income**					**$1,688,000**
IV.	**Capitalized Value of NOI**					
	Net Operating Income					$1,688,000
	Cap Rate					5.5%
	Capitalized Value of Residential NOI					**$30,691,000**

(1) Based on capitalized income approach; assumes a 1% tax rate and 6.0% cap rate.

Prepared by: Keyser Marston Associates, Inc.
Filename: County\Edgemoor feasibility analysis.xls\5/16/2008; ema

TABLE 30

ESTIMATE OF RESIDUAL LAND VALUE
EDGEMOOR FINANCIAL FEASIBILITY ANALYSIS
COUNTY OF SAN DIEGO

		Rehabilitation/Relocation of Existing Buildings		New Residential Mixed-Use Development		Totals
I.	**Capitalized Value of NOI**					
	Residential NOI		$0		$30,691,000	$30,691,000
	Commercial NOI		$7,920,000		$59,954,000	$67,874,000
	Total Capitalized Value of NOI		$7,920,000		$90,645,000	$98,565,000
	(Less) Cost of Sale	3.0% of Value	($238,000)	3.0% of Value	($2,719,000)	($2,957,000)
	(Less) Developer Profit - Residential	0.0% of Costs	$0	12.0% of Value	($3,683,000)	($3,683,000)
	(Less) Developer Profit - Commercial	15.0% of Costs	($3,941,000)	10.0% of Value	($5,995,000)	($9,936,000)
II.	**Supportable Investment**		$3,741,000		$78,248,000	$81,989,000
	(Less) Total Rehabilitation/Development Costs		($26,273,000)		($72,718,000)	($98,991,000)
III.	**Residual Land Value**		**($22,532,000)**		**$5,530,000**	**($17,002,000)**
	Per SF Site Area		**($20)**		**$6**	**($15)**

Prepared by: Keyser Marston Associates, Inc.
Filename:Edgemoor feasibility analysis.xls;5/16/2008; ema